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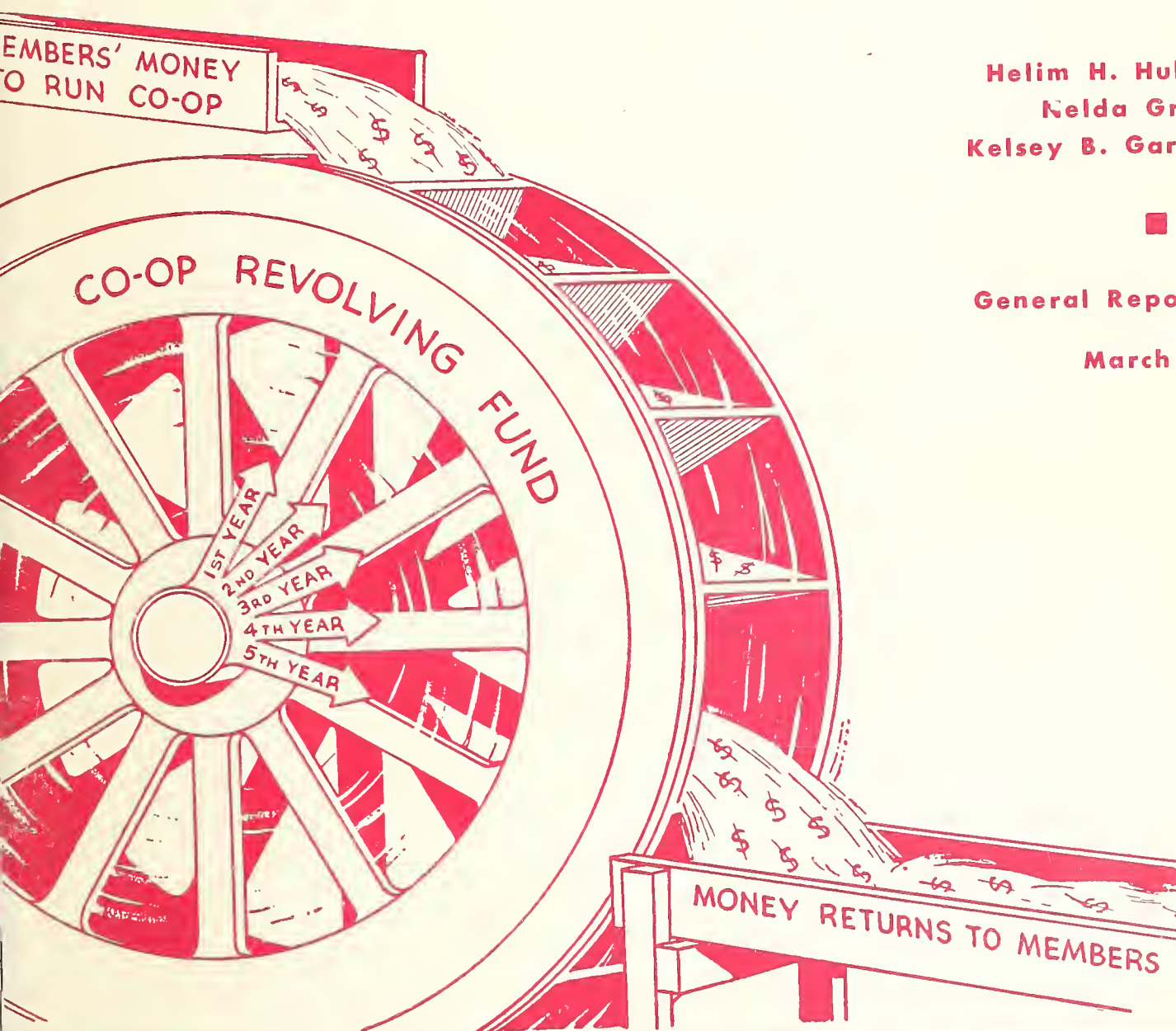
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Revolving Fund Method of Financing Farmer Cooperatives

by
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FARMER COOPERATIVE SERVICE
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FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

JOSEPH G. KNAPP, ADMINISTRATOR

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of the studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.



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Summary

This report is directed toward a better understanding of the revolving fund method of financing and the use farmer cooperatives are making of it. It is based on a study of 1,157 marketing and farm supply cooperatives made by Farmer Cooperative Service in answer to a request from the National Council of Farmer Cooperatives and the American Institute of Cooperation. The sample included in the study comprised 898 local and 259 regional cooperatives.

Over 61 percent of the 1,157 farmer cooperatives included in the study were using the revolving fund plan of financing for part or all of their membership or equity capital. Regional cooperatives were making greater use of revolving fund financing than local associations. More than 69 percent of the 259 regional cooperatives in the sample employed the revolving fund method compared with 59 percent for the 898 local cooperatives.

Stripped down to its barest essentials, the revolving fund plan of financing is one that provides for retirement of an association's oldest outstanding membership capital from funds furnished to the cooperative or accumulated by the cooperative from members and patrons of later years. Ordinarily the revolving fund plan of financing does not become operative until an association has all the capital it requires in its current operations.

Farmer cooperatives accumulate revolving fund capital by two principal methods -- authorized deductions for capital purposes and retention of operating margins or savings in the business. Some cooperatives use both of these methods. And, in some cases stock or certificates of equity that are revolved are sold to members outright.

Where organization papers or membership agreements provide for authorized deductions for capital purposes, cooperatives withhold certain amounts from the proceeds of sale of products handled. These amounts are credited to

the capital accounts of the members from whom the deductions were made.

Associations establishing revolving funds out of operating margins or savings allocate them to members' capital accounts on a patronage basis.

As a financing device the revolving fund plan is peculiarly well adapted to farmer cooperatives. Its use is regarded by many as the most effective method of raising cooperative capital. The revolving fund plan of financing confines capital contributions to patrons, requires investment according to patronage and restricts equity financing to those currently patronizing the association.

The 1,157 farmer cooperatives included in this study reported gross equity or membership capital at the close of their 1954 fiscal years of \$847 million. This was the sum of the total equity capital reported by the 898 local and 259 regional cooperatives rather than net equity capital.

Of the total gross equity capital, \$489 million, or 58 percent, was reported as revolving fund capital. Almost \$83 million, or 17 percent of the total revolving equity capital, was reported by 531 local associations; 179 regional cooperatives reported \$406 million in revolving fund equity capital or 83 percent of the total.

There were 447 associations included in the study that were not handling any of their membership or equity capital on a revolving fund basis.

Revolving funds take many different forms. Some associations evidence their revolving fund capital merely by book credits. Other cooperatives put their revolving fund capital in common or preferred stock. Still other associations issue certificates of various kinds to members.

Over 90 percent of the farmer cooperatives using the revolving fund method of financing left the period of revolution discretionary with the board of directors. Only about 10 percent had a fixed revolving fund period.

Certificates of equity and allocated book credits are the most popular forms of revolving funds used, accounting for 65 percent of the total amount of revolving equity capital reported by all the associations included in this study. Common and preferred stock accounted for the other 35 percent.

Almost a quarter of the associations using common stock in 1954 were handling all or a part of it on a revolving basis. Approximately 53 percent of all common stock reported by the 1,157 associations was described as revolving common stock.

Over 28 percent of the associations using preferred stock in 1954 reported that all or a part of it was being handled on a revolving basis. This 28 percent in numbers accounted for almost 47 percent of the entire amount of preferred stock handled on a revolving fund basis.

Certificates of equity and allocated book credits were being handled fully or in part on a revolving fund basis by almost 68 percent of the associations reporting equity capital of this type in 1954. Of the entire amount of certificates of equity and allocated book credits outstanding, almost 79 percent was designated as revolving fund capital.

Over 64 percent of the revolving equity capital reported by associations included in this study was acquired by retaining patronage refunds. Authorized deductions accounted for over 17 percent. Six percent was purchased outright. The remaining 12 percent was acquired by a combination of two or all three of these methods.

Whether cooperatives should pay interest or dividends on revolving fund

capital is debatable. This study indicated that cooperatives handling equity capital on a revolving basis are more inclined to forego interest and dividend payments than associations not using the revolving fund plan. Of associations with revolving equity capital, 70 percent reported no interest on any revolving funds, 10 percent reported interest on all revolving funds, and the other 20 percent reported both interest-bearing and noninterest-bearing revolving funds.

Rates of return on revolving fund capital varied among the 30 percent of associations with revolving equity capital. Four percent was the most frequent rate reported by associations making any return.

Of the total revolving equity capital reported by the 1,157 associations, 71 percent was noninterest-bearing, 16 percent carried an interest or dividend rate of approximately 4 percent, and the remaining 13 percent of revolving equity capital carried a rate of return ranging from 1 percent to around 7 percent.

At the end of the 1949 fiscal years, 717 cooperatives using the revolving fund method of financing had revolving fund capital aggregating \$313 million. During the 5-year period, 1950-54, \$357 million was added to revolving funds and \$159 million was paid out, leaving a balance of \$510 million in revolving funds at the close of fiscal years ending in 1954.

During the 5-year period, revolving fund capital grew by some 63 percent, but these associations paid out over \$159 million in cash from revolving funds during the same period. The revolving fund period approximated slightly less than 10 years for all associations reporting.

Revolving Fund Method of Financing Farmer Cooperatives

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Members and patrons need a better understanding of the revolving fund method of financing and its use by farmer cooperatives.

This report is designed to help meet that need. It is based on a study Farmer Cooperative Service made at the request of the National Council of Farmer Cooperatives and the American Institute of Cooperation. Questionnaires replied to by 1,157 farmer cooperatives furnished the information on which this publication is based.

As farmer cooperatives have grown and expanded their marketing, farm supply, and other business services, their financial demands have increased by leaps and bounds. This has created knotty, complicated financial problems for many associations. More complete facts in composite form as to the financial structure of farmer cooperatives and their use of revolving funds will benefit existing cooperatives in improving and strengthening their financial programs. They will also be helpful in planning and developing the organization of new cooperatives that may or may not desire to use the revolving fund method of financing.

The facts developed in this report will shed light on, and will help to clarify, the concept of revolving fund financing as used by farmer cooperatives by answering such questions as: How many farmer cooperatives are using the revolving fund method of financing in some form? In what commodity fields or areas is revolving fund financing most

widely used? Are the funds actually revolving? What is the length of the revolving fund period? What types of equity or membership capital are handled on a revolving fund basis? How is revolving fund capital acquired by the owners? What rates of return, if any, do the cooperatives pay on revolving equity capital? Are cooperatives using the revolving system faced with the same financial problems as cooperatives using other systems of financing?

Unlike businesses where profits are shared in proportion to investment, the margins and savings of farmer cooperatives are distributed according to patronage or the individual use patrons make of their cooperatives. This poses the problem of how cooperatives can best capitalize their associations equitably so that the capital furnished by each patron bears a relationship to his patronage. The revolving fund plan of financing, originated and developed by farmer cooperatives, is being widely used and adopted as a solution to this problem.

Essentially, the revolving fund plan of financing is one where capital supplied by the current year's patrons, either by authorized deductions or from savings and margins realized in operations, is used to retire the oldest outstanding revolving fund capital furnished an association by patrons of earlier years. The significance of the name "revolving fund" becomes more apparent after an association has reached the stage where it is in financial position to start retiring its oldest revolving fund investments. Ordinarily, a revolving fund does not become operative until an association's patrons have supplied more capital than the association feels it can use to advantage in its day-to-day operations.

Revolving fund financing by a farmer cooperative combines these three principles:

1. Continued investment by members and patrons in the capital structure of the cooperative according to use.

2. Continued accumulation of capital from year to year by the cooperative.

3. Continued retirement of members' and patrons' oldest outstanding capital first.

Members and patrons may invest in the cooperative's revolving fund in several ways.

1. By authorizing the cooperative to deduct specific amounts from sales proceeds for capital purposes.

2. By permitting the cooperative to retain operating margins and savings as capital.

3. By making direct cash investments in the capital structure of the cooperative.

Some farmer cooperatives employ all three capital raising methods.

Most farmer cooperatives using the revolving fund method of financing accumulate their capital needs before initiating any capital retirement program. This may require anywhere from 3 to 15 years' accumulation of capital. Where the revolving period is left to the discretion of the directors, there is no problem. But in some instances members have written in definite time limitations on the length of the period cooperatives can hold revolving fund capital without revolving it. Some associations organized on this basis have been forced to start revolving their capital before they would have otherwise done so.

Many directors and cooperative executives charged with the responsibility of managing the affairs of cooperatives find the revolving fund plan of financing an easy and convenient method of building capital. The plan contemplates that members' revolving fund contributions of all kinds will be allocated to them on the books of their cooperative and used in the conduct of the business. With the exception of those associations having a fixed revolving fund period, members' contributions are returned to them periodically in the order in which

they were contributed, when in the judgment of the directors the finances of the cooperative would seem to justify such action.

Under the revolving fund plan as it is presently employed, members' capital contributions consist largely of retained patronage refunds. Other procedures for accumulating revolving fund capital involve authorizations given to cooperatives by members for deduction of a specific amount per unit or commodity handled or amounts based on a percentage of sales value. Capital contributions by patrons under either of these procedures are proportionate to the individual's use of the association and thus tend to equalize the responsibilities of members for financing the cooperative.

Revolving fund contributions are, in fact, investments used for the purchase of equities in the association by the current members and patrons who use its facilities and services. Just as a farmer pays for his farm over a period of years, the patrons of a cooperative using the revolving fund plan buy or pay for their cooperative over a period of years.

Membership in a cooperative changes, however. Some farmers go out of business. Some die. Others move away. The revolving fund method of financing was devised in recognition of these contingencies. Ordinarily, farmers who have gone out of business or moved away have no further need for the services of the cooperative. Many of them would like to withdraw their investment if they could. The revolving fund principle of financing furnishes a method whereby this can be done in a systematic, orderly manner without crippling or disturbing the financial condition of the association. And, cooperatives are kept in the hands of patrons more currently patronizing the association.

In the organization and administration of farmer cooperatives, it should be just as important to provide ways for a member to get his money out of a cooperative as it is to provide methods for him to get his money into one. This principle is well illustrated by the revolving fund system of financing. It acts as an effective means for developing and maintaining financial responsibility, member interest

and support, in addition to keeping each member's investment somewhat in proportion to his patronage.

As a financing device the revolving fund method is peculiarly and distinctly cooperative. Its use is regarded by many as the most effective plan for raising cooperative capital and maintaining cooperative practices and objectives.

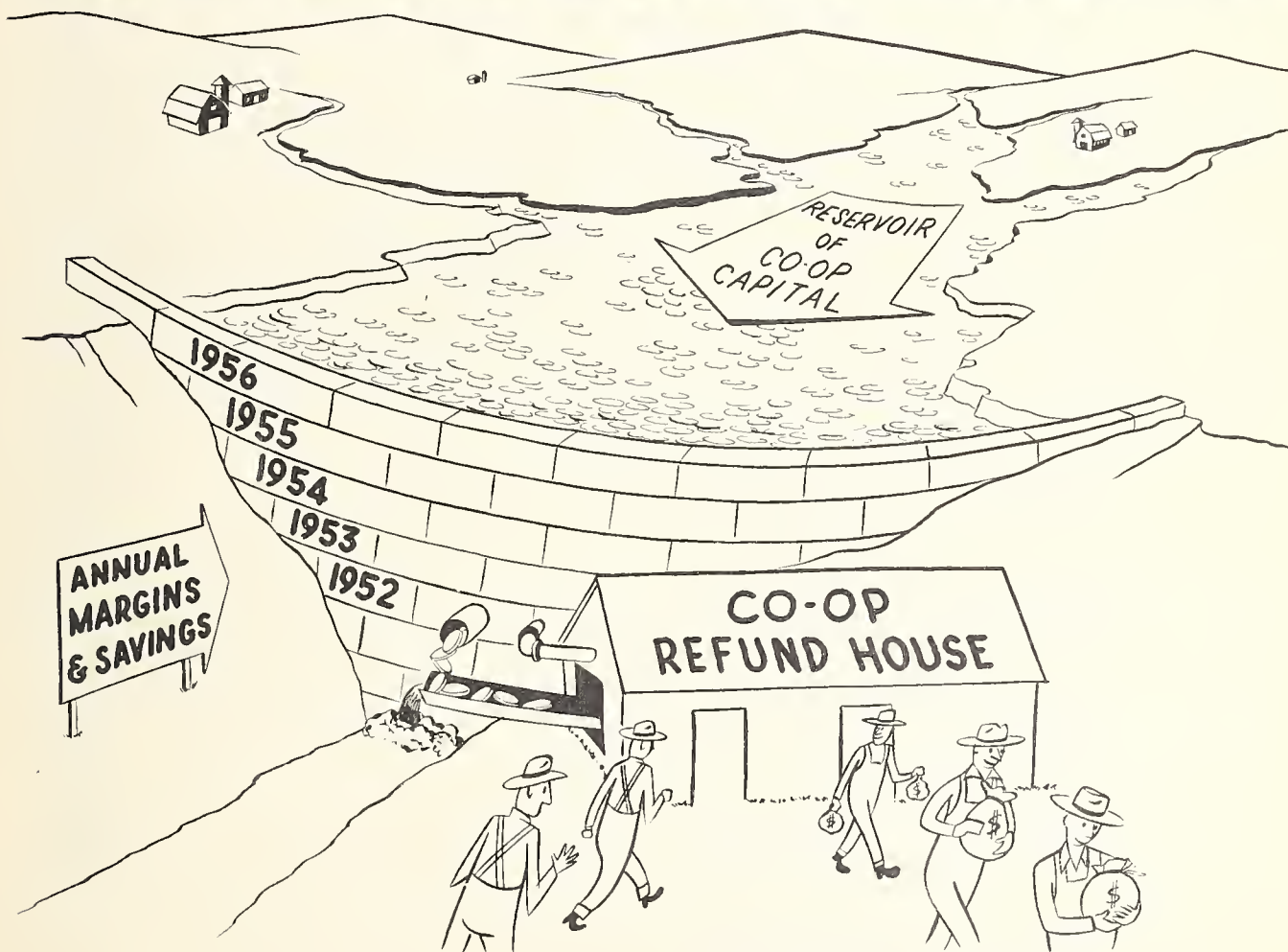
By placing responsibility for financing upon the more current patrons of cooperatives, the revolving capital plan aids associations in maintaining their legal cooperative status. The system is readily adaptable to procedures which reduce nonmember business to a minimum. It provides a method by which nonmember patrons build up investment required in becoming members. And, with the revolving fund plan in effect, voting control

is concentrated in the hands of active members.

Successful operation of the revolving fund plan must be based on adequate understanding by the members of its method of operation, financial objective, and needs of the association. Indefinite withholding of refunds can exert an undermining influence on the confidence of members in the financial management and structure of their cooperatives. On the contrary, a well-planned revolving capital system can aid materially in developing member confidence and satisfaction.

The revolving fund system of financing may be compared to a stream across which a dam has been erected. In the same way that water is backed up to form a lake to furnish power to run a

SOURCE OF POWER OF REVOLVING FUND CAPITAL



Small streams of capital from hundreds of farmer members unite to form a powerful reservoir of capital to run their co-op. By 1956 capital needs have been met, so 1952 revolving fund capital is being returned to the members who originally contributed it.

mill, cooperatives dip into the stream of members' capital, retaining the capital from authorized deductions or from savings from operations from year to year to form a "reservoir of capital" until they have enough to run the business.

When the "reservoir of capital" is filled to the desired height and the cooperative has met its capital requirements, retained capital from prior years is siphoned off first and is handed back to members.

This method of financing gives cooperatives an opportunity to constantly renew their capital structures. It provides an unending source of capital with the oldest investments being paid back first.

How the revolving capital plan works is readily apparent from a study of figure 1. In this figure all items other than those labeled "borrowed funds" or "initial membership capital" represent annual savings for the indicated years. This chart is based on an association with its entire capital structure on a revolving fund basis. In order to simplify the illustration, the association's capital requirements are assumed to be constant at \$30,000 each year from 1941 through 1954.

Operation of this association began in 1941 with initial paid-in membership capital of \$15,000 and an additional \$15,000 in borrowed funds. In 1942,

savings of \$5,000 enabled the association to pay off a like amount of borrowed funds, reducing outstanding loans to \$10,000. Additional savings of \$3,000 in 1943, \$4,000 in 1944, and \$3,000 in 1945 enabled the association to retire all its borrowed capital. Next step was retirement of initial membership capital, which was accomplished in 1946-48 through the use of retained annual savings in the manner described for the retirement of borrowed funds. With borrowed capital and initial membership capital repaid, the association was then in position to begin revolving its oldest outstanding capital contributions acquired through retaining in the cooperative the patronage refunds each year.

The revolving capital plan of financing can be used by both stock and nonstock cooperatives, provided the bylaws or other basic legal papers contain the necessary authorization. Frequently cooperatives place their entire capital structure on a revolving fund basis. Many new associations provide for revolving fund financing exclusively at the time of organization. Other associations, not originally organized with a revolving fund system of financing, adopt the plan by gradually eliminating all other forms of patron investment (with the possible exception of memberships and qualifying shares), not directly derived from patronage of the cooperative.

The Sample

The figures and computations included in this report are based on the results of a nationwide survey of financing methods used by 1,157 marketing, service, and farm supply cooperatives in their 1954 fiscal years. Fiscal years of all cooperatives do not begin or end in the same month. This matter is determined in the bylaws of each association. In this report, the term "fiscal year" refers to that of the cooperatives included in the FCS study.

Table 1 shows the total number of associations, by commodity groups, listed with Farmer Cooperative Service in 1954 and the number of cooperatives

in each commodity group included in the survey. This list contained all the farmer marketing, farm supply, and service cooperatives reporting to FCS at that time.

Cooperatives listed with the Service were classified for purposes of this study either as marketing or farm supply associations, depending on their principal type of business. Marketing cooperatives include those associations whose business is predominantly marketing farm products for patrons, with more than 50 percent of their total annual dollar volume derived from the sale of such products. Farm supply cooperatives are

Figure 1

REVOLVING FUND PLAN OF A FARMER COOPERATIVE

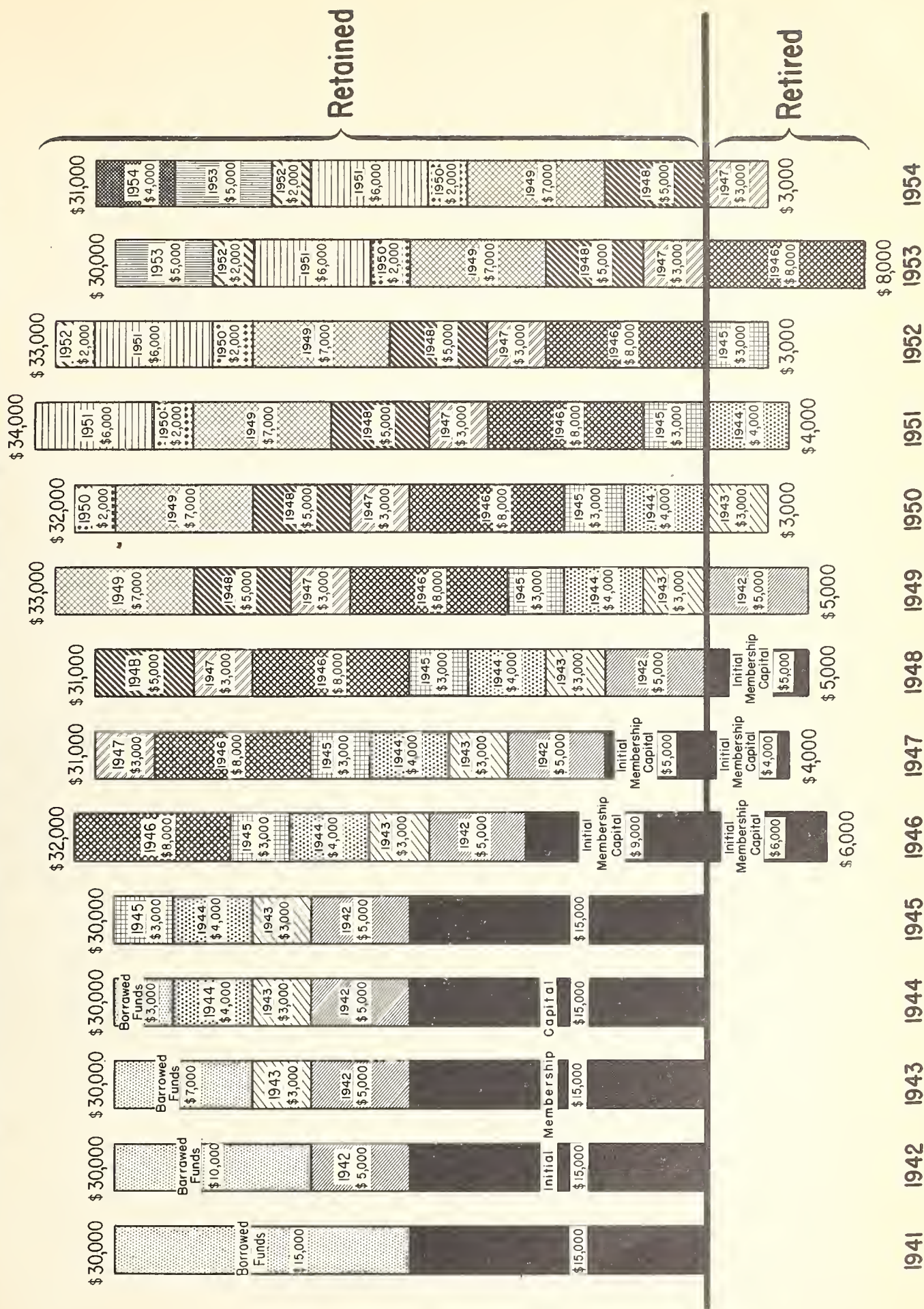


Table 1. - Number of farmer cooperatives, by specified groupings, and number of each group included in nationwide survey, fiscal year 1954 1/

Association group	Number of associations listed with Farmer Cooperative Service, 1954				Number of associations included in nationwide survey, 1954			
	Bargaining	Local	Regional	Total	Bargaining	Local	Regional	Total
Marketing and service:								
Cotton and cotton products	-	520	26	546	-	47	19	66
Dairy and dairy products	209	1,616	51	1,876	-	172	43	215
Dry beans and peas	-	6	9	15	-	-	5	5
Fruits and vegetables	12	684	37	733	-	50	25	75
Grain	-	2,130	32	2,162	-	269	24	293
Livestock and livestock products	-	474	43	517	-	20	28	48
Miscellaneous marketing	-	61	3	64	-	5	2	7
Nuts	-	36	6	42	-	5	5	10
Poultry and eggs	-	137	17	154	-	12	8	20
Rice	-	52	6	58	-	8	4	12
Service	-	235	5	240	-	18	1	19
Soybean processing	-	-	8	8	-	-	6	6
Sugar and sugar products	43	-	20	63	-	-	6	6
Tobacco	-	-	29	29	-	-	11	11
Wool and mohair	-	152	25	177	-	-	8	8
Total marketing and service	264	6,103	317	6,684	-	606	195	801
Farm supply	-	3,257	116	3,373	-	292	64	356
Total marketing, service, and farm supply	264	9,360	433	10,057	-	898	259	1,157

1/ For explanation of "fiscal year," see page 4.

those whose farm supply business accounts for more than 50 percent of their total annual dollar volume.

Many cooperatives handle more than one commodity and provide both marketing and purchasing services for farmer members. Such associations are classified according to the predominant product in their business volume. Of the 10,057 associations listed in 1954 with FCS, 6,684, or 66 percent, were classified as marketing cooperatives and subdivided by commodity groups. The other 3,373, or 34 percent, were classified as farm supply cooperatives. Service cooperatives, those associations performing such functions as trucking, drying, picking, or similar services related to marketing or farm supply activities, which made up only 2 percent of the total, were included with marketing associations.

The sample, composed of 69 percent marketing associations and 31 percent farm supply, compares favorably with the breakdown and classification of all cooperatives by principal type of business.

Types of Associations

As shown in table 1, cooperatives were also classified as local, regional, or bargaining. Each classification is defined for purposes of this report as follows:

Local association. A local association is essentially an organization providing cooperative services for a community, a county, or several counties. Individual farmers are the members of these local cooperatives. Local associations usually perform a limited number of the first steps involved in marketing. In the case of farm supply associations, practically all sales are at the retail level. Local associations may or may not be affiliated with other cooperatives.

Regional association. A regional cooperative is one that usually serves a district comprising a number of counties, an entire state, or a number of states. Types of associations classified as regional for purposes of this report include the following:

1. All federated associations. (Cooperative organizations whose membership is composed of two or more local

associations organized to purchase supplies or market products for their member locals. Individual farmers are not members of federated associations, but are members of the local associations that comprise the regional. Regional federations may be members of other federated associations.)

2. Centralized associations usually serving more than 8 or 10 counties. (A regional centralized association is structurally like a small local association--individual farmers make up the membership. There are no autonomous local associations.)

3. Cooperatives with large volumes which are neither strictly federated nor centralized since they have both local cooperatives and individuals as members.

4. Some associations with relatively small business volume which market farm products or sell supplies to both local associations and individual producers, or do business in more than one State.

Bargaining association. A collective bargaining association negotiates with distributors, processors and other buyers over price, quantities, grade, terms of sale, and other factors involved in selling members' farm products. Its primary function is to bring buyer and seller together and contract for the sale of members' products.

As shown in table 1, 264 bargaining cooperatives were listed with FCS in 1954. Over 79 percent of these were dairy bargaining organizations. Sugar beet and fruit and vegetable bargaining associations accounted for the other 21 percent. Farmers' total equity capital in these 264 bargaining cooperatives was estimated at less than 23 million dollars in 1954, only 1 percent of total farmers' equities in the 10,000 odd cooperatives listed in 1954.

Since most bargaining cooperatives operate with very little in the way of facilities or capital, they were excluded from this study.

How Selected

The 1,157 associations included in the survey were selected entirely from the lists of local and regional associations

maintained by FCS. The sample of local associations is a random selection from the 1954 lists of local associations. A card, filed alphabetically by States, is maintained for each association by the groups shown in table 1. In selecting the sample, every fifth card in each group was included. Therefore, the local association sample selected was nationwide in scope and included representative marketing and farm supply associations.

Since less than 5 percent of all marketing and farm supply cooperatives are classified as regional associations, this entire group was included to insure getting a representative sample.

A detailed questionnaire was mailed to all of the regional associations and to approximately 19 percent of the local associations on the lists maintained by FCS. Useable replies were received

from 1,157 associations -- 259 regionals and 898 locals.

While regional associations represent less than 5 percent of all associations they represent 22 percent of the total sample. The sample is thus weighted rather heavily with regionals, and should not be regarded as a representative sample of all cooperatives. All information has been tabulated separately for local and regional associations in recognition of this fact.

Duplications arising from inter-cooperative investments have not been eliminated from the figures and computations shown in this report. Thus, all figures reported throughout this report for the 1,157 local and regional cooperatives included in the survey represent gross figures rather than net figures, unless otherwise indicated.

Current Use of Revolving Fund Financing

The 1,157 cooperatives used in this study reported gross equity capital at the close of fiscal year 1954 of over \$847 million. This represents the sum of the total equity capital reported by the 898 locals and the 259 regionals rather than net capital (appendix table 1).

Of this equity capital \$489 million or 58 percent of the total was reported as revolving capital by the associations. Almost \$83 million in revolving equity capital was reported by 531 local associations, and 179 regionals reported revolving equity of over \$406 million. The other 447 associations included in the study were not handling any of their equity capital on a revolving fund basis (appendix table 2).

Before examining the dollar volume of revolving equity capital of the 1,157 cooperatives, an indication of the number of associations using the revolving fund system of financing is appropriate (appendix table 3).

A greater percentage of the regional associations have adopted the revolving fund method of financing than the local associations. While 69 percent of the regional associations indicated that they

had some revolving equity capital at the close of their 1954 fiscal years, only 59 percent of the local associations, as a group, reported any equity capital on a revolving fund basis.

A comparison of all marketing associations in the sample with all farm supply associations revealed little difference in the percentage of associations in each group employing the revolving equity plan to some extent. A little less than 61 percent of the marketing associations reported some revolving equity capital compared with better than 62 percent of the farm supply associations.

As indicated in figures 2, 3, and 4, the percentage of the total number of associations reporting any use of the revolving equity system of financing and the percentage of the total amount of equity capital they handled on a revolving fund basis differed.

In marketing associations, the percentage reporting any use of the revolving equity system of financing, 61 percent, was lower than the percentage of the amount of equity capital they handled on a revolving fund basis, 68 percent.

Figure 2

Percentage of local and regional cooperatives employing the revolving equity plan of financing, by number and amount, 1954

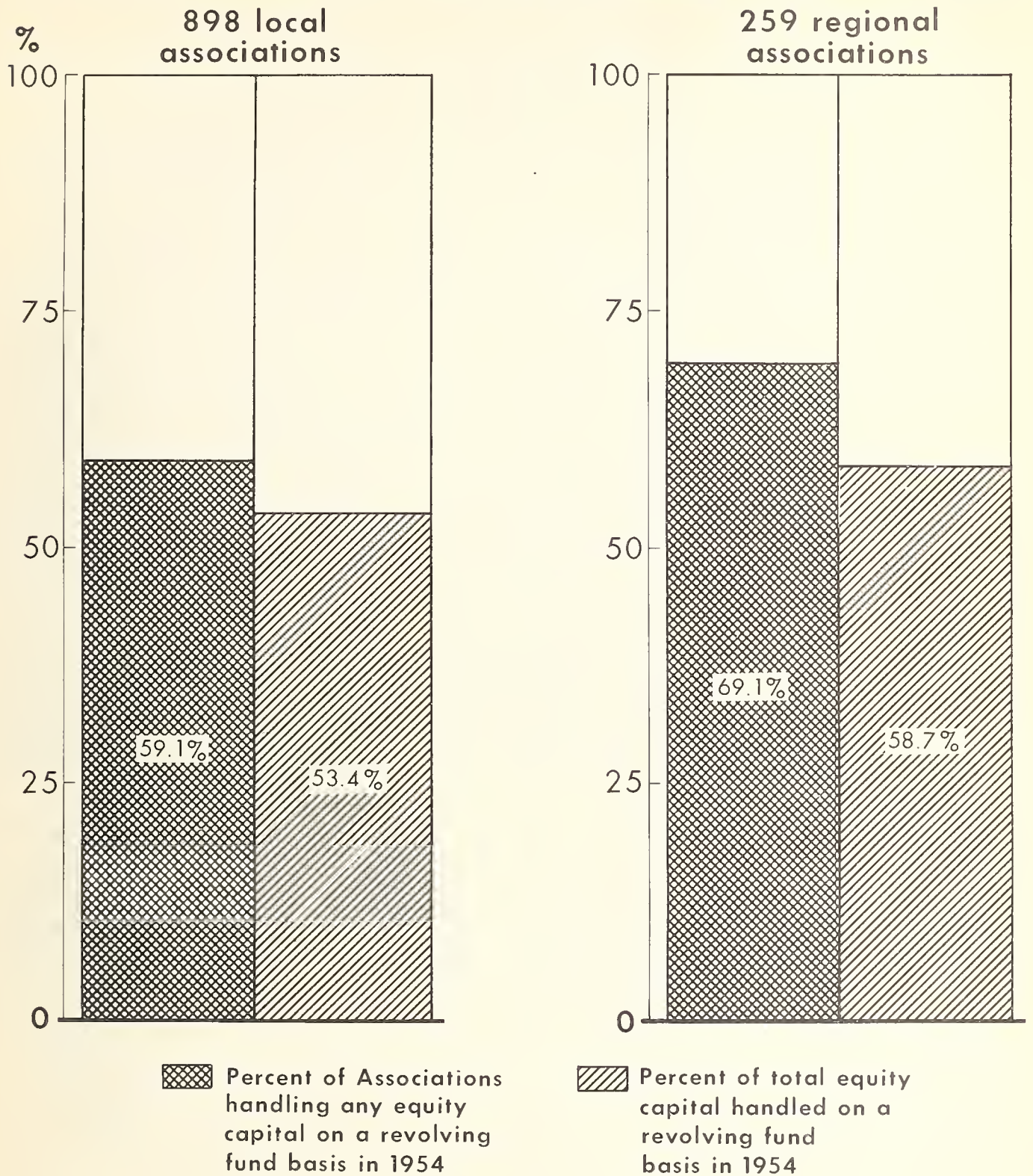


Figure 3

Percentage of local and regional marketing and farm supply cooperatives reporting any revolving equity capital, 1954

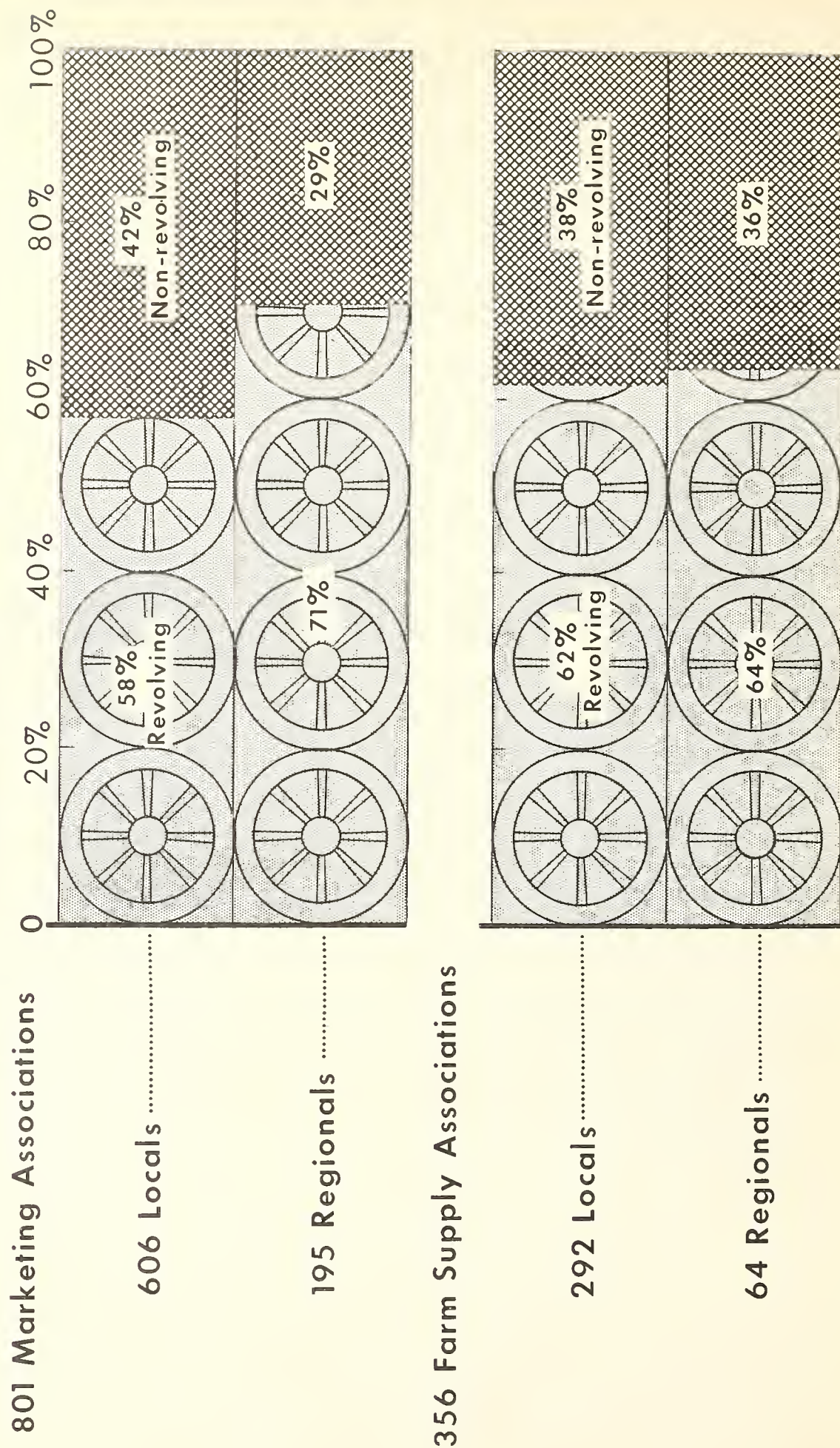
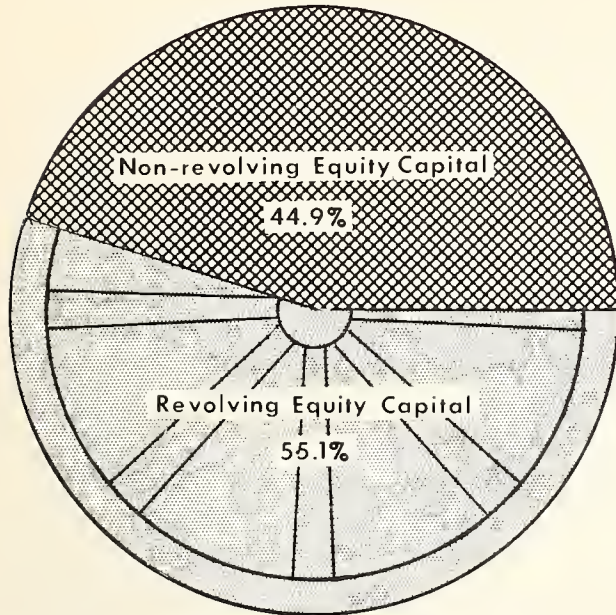


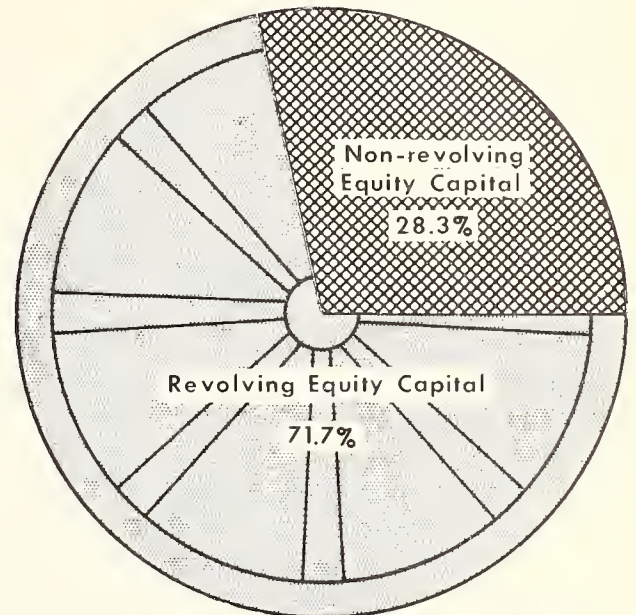
Figure 4

Percentage of equity capital of 1,157 marketing and farm supply cooperatives handled on a revolving fund basis, 1954

801 Marketing Associations

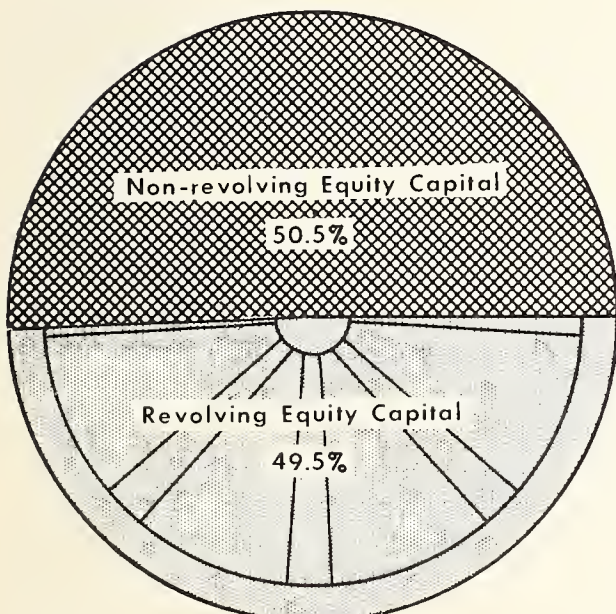


606 Locals

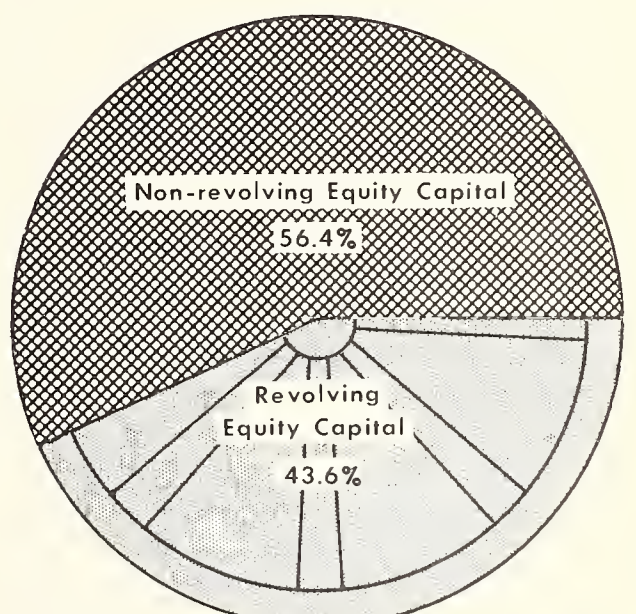


195 Regionals

356 Farm Supply Associations



292 Locals



64 Regionals

A comparison of local marketing associations with regional marketing associations revealed that revolving funds were more prevalent in the regional group. Almost 71 percent of the regional marketing associations were using the revolving equity system to some extent, and approximately 72 percent of their total equity was handled on a revolving basis. Almost 58 percent of the marketing locals used the revolving equity method of financing. However, only 55 percent of the equity capital of marketing locals was being handled on a revolving fund basis (appendix tables 3 and 4).

In contrast to marketing cooperatives, the percentage of farm supply associations reporting any use of the revolving equity system of financing, 62 percent, was considerably greater than the percentage of their total equity capital handled

on a revolving basis, only 44 percent.

While over 64 percent of the regional farm supply cooperatives used the revolving equity system, less than 44 percent of their total equity was handled on a revolving fund basis. Use of the revolving system was reported by 62 percent of the farm supply locals, but less than 50 percent of their total equity capital was reported as revolving.

Many associations reported only one or two types of their equity capital on a revolving basis, while others reported the entire capital structure handled on a revolving fund basis. This accounts for the variation in percentages between the number of cooperatives reporting use of the revolving fund plan and the percentage of the amount of equity capital they reported being handled under the revolving fund plan.

Types of Revolving Equity Capital

Equity capital is the investment, exclusive of loan capital, members have in their cooperative. Accountants generally refer to equity capital in a farmer cooperative as net worth. Included in equity capital are such balance sheet categories as common stock, preferred stock, membership certificates, certificates of equity, book credits, and reserves.

Equity capital may or may not be handled on a revolving fund basis, may or may not bear interest, and may or may not have a definite maturity date. This report is concerned primarily with equity capital handled by the cooperatives on a revolving fund basis, whether or not it is interest bearing and whether or not it has a fixed maturity date.

Common and preferred stock, certificates of equity, and allocated book credits are the types of cooperative capital generally handled by the revolving technique.

While some cooperatives issue certificates of equity covering a part or all of the capital credits allocated to members, other associations follow the practice of crediting capital to individual members, and then notifying them of their respective

shares. These latter would then not issue any formal certificates of equity covering their book credits. In many cases the information furnished on the questionnaires used in this study did not reveal whether certificates were issued or the credits were recorded to members on the books only. For this reason, equity capital in the form of certificates of equity and allocated book credits could not be tabulated separately.

The revolving equity system of financing can be used by stock and nonstock associations alike. But many people fail to recognize this fact. They have the mistaken impression that revolving fund financing is confined to membership or nonstock cooperatives. However, this study revealed farmer cooperatives organized with capital stock revolving their stock in the same manner as membership capital (by whatever name it is called) of a nonstock organization. Both common and preferred stock of many of the cooperatives included in this study were successfully being handled on a revolving basis.

Three types of equity capital -- common stock, preferred stock, and certificates of equity and allocated book

credits -- were reported as revolving capital by the associations included in this study. Certificates of equity and allocated book credits accounted for 65 percent of the total revolving equity reported. Common and preferred stock accounted for the other 35 percent. Figure 5 shows total revolving equity capital reported by the associations in 1954, by type of association and equity.

A larger percentage of total revolving equity capital was in the form of certificates of equity and allocated book credits in marketing cooperatives than in farm supply cooperatives. And a larger percentage of total equity capital was in the form of common and preferred stock in farm supply cooperatives than in marketing cooperatives (appendix tables 1 and 2).

Revolving common and preferred stock was found in more regional associations than in locals, and a smaller percentage of total equity capital was composed of stock in locals than in regionals. For a complete tabulation of the percentages of total equity capital handled on a revolving fund basis by type of equity capital, see appendix tables 4 and 5.

Common Stock

Over 71 percent (827) of the 1,157 cooperatives reported common stock on their balance sheets at the close of their 1954 fiscal years. This stock amounted to 19 percent of the dollar value of equity capital reported. Almost a quarter (22.4 percent) of the associations using common stock reported that all or a part of their stock was being handled on a revolving basis (appendix table 3).

Local Associations

Over 75 percent (679) of the 898 local associations reported common stock in 1954. This stock amounted to 19 percent of total equity capital of the locals. Over 23 percent (159) of the 679 locals using common stock reported that they were handling all or a part of the stock on a revolving basis.

Reports from marketing locals showed that over 75 percent (458) of the 606 associations had common stock in

1954. This stock amounted to almost 15 percent of total equity of the 606 marketing locals. Over 16 percent (75) of the 458 marketing locals using common stock reported that all or a part of it was being handled on a revolving basis.

Over 75 percent (221) of the 292 farm supply locals reported they were operating with common stock. This stock amounted to almost 29 percent of the total equity capital reported by farm supply locals. Of the 221 farm supply locals with common stock, 38 percent (84) reported common stock on a revolving basis.

Regional Associations

Of the 259 regionals, 57 percent (148) reported common stock on their 1954 balance sheets. This stock amounted to over 19 percent of the total equity capital of the regionals. Almost 18 percent (26) of the 148 regionals reporting common stock were handling all or a part of the stock on a revolving basis.

Approximately 52 percent (101) of the 195 marketing regionals were using common stock in 1954. The stock accounted for over 14 percent of total equity capital of these associations. Less than 13 percent (13) of the 101 marketing regionals were handling any of this common stock on a revolving basis.

Farm supply regionals, on the other hand, reported common stock amounting to almost 25 percent of their total equity capital. Over 73 percent (47) of the 64 farm supply regionals were operating with common stock. Almost 28 percent (13) of the 47 farm supply regionals with common stock reported some of it on a revolving basis in 1954.

Preferred Stock

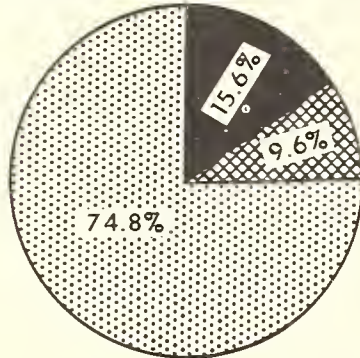
Less than 38 percent (437) of the 1,157 cooperatives which formed the basis for this study reported preferred stock outstanding in 1954. This preferred stock represented almost 22 percent of total equity capital reported by the 1,157 associations. Over 28 percent of those with preferred stock reported that all or a part of it was being handled on a revolving basis (appendix table 3).

Figure 5

Revolving equity capital of marketing and farm supply cooperatives, by type of equity, 1954

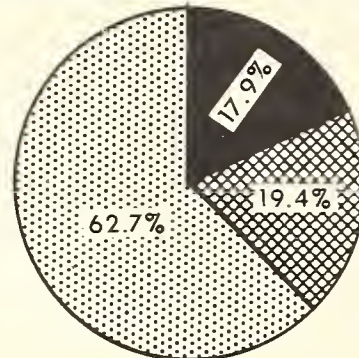
710 Marketing and Farm Supply Associations

531 local associations 179 regional associations



\$82,500,623

Revolving Equity Capital

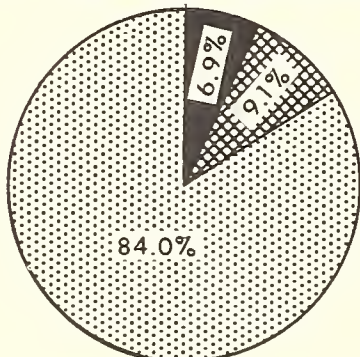


\$406,451,638

Revolving Equity Capital

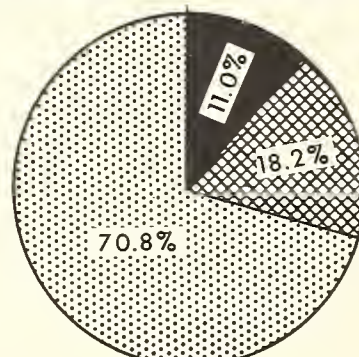
488 Marketing Associations

350 local associations 138 regional associations



\$59,635,825

Revolving Equity Capital

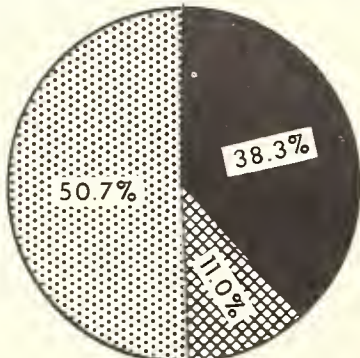


\$266,092,966

Revolving Equity Capital

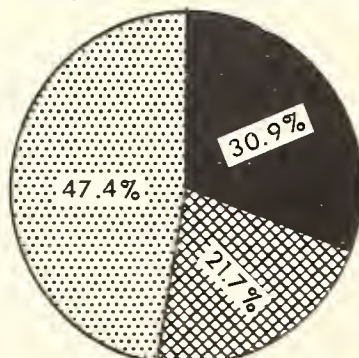
222 Farm Supply Associations

181 local associations 41 regional associations



\$22,864,798

Revolving Equity Capital



\$140,358,672

Revolving Equity Capital

Certificates of equity & book credits
 Common stock
 Preferred stock

Local Associations

Of the 898 locals reporting, 37 percent (333) had preferred stock outstanding in 1954. This stock amounted to 14 percent of total equity capital reported by the locals. Almost 28 percent (92) of the 333 locals with preferred stock reported that all or part of it was revolving stock.

Almost 32 percent (192) of the 606 marketing locals reported outstanding preferred stock in 1954. This stock amounted to over 11 percent of total equity capital reported by all marketing locals included in this study. Of the 192 marketing locals reporting preferred stock in 1954, 43 or over 22 percent were using the revolving fund method for handling part or all of their preferred stock.

Over 48 percent (141) of the 292 farm supply locals reported preferred stock as a type of equity capital in 1954. This stock accounted for over 21 percent of the total equity capital reported by all farm supply locals participating in this study. Almost 35 percent (49) of the 141 farm supply locals with preferred stock in 1954 handled it on a revolving basis.

Regional Associations

A larger percentage of regionals reported preferred stock on their 1954 balance sheets than did locals. Over 40 percent (104) of the 259 regionals reported some preferred stock outstanding. This stock amounted to almost a quarter (23.6 percent) of total equity capital reported by all the regionals in the study. Almost 30 percent (31) of the 104 regionals which reported preferred stock indicated that all or a part of the stock was handled on a revolving basis.

Approximately 40 percent (70) of the 195 marketing regionals reported issuance of preferred stock. This stock amounted to about 20 percent of total equity capital of all marketing regionals included in the study. Twenty-seven (39 percent) of the 70 marketing regionals with preferred stock were handling it on a revolving basis.

Over 53 percent (34) of the 64 farm supply regionals reported preferred stock in 1954. This stock amounted to more than 28 percent of total equity capital

reported by all regional farm supply cooperatives included in the study. Less than 12 percent of these cooperatives with preferred stock were handling it on a revolving basis.

Certificates of Equity and Allocated Book Credits

Almost 81 percent (936) of the 1,157 associations included in this study showed certificates of equity or allocated book credits on their 1954 balance sheets. This equity amounted to over 47 percent of the total equity capital reported by the 1,157 cooperatives. Almost 68 percent (634) of the 936 associations reporting certificates of equity or allocated book credits were handling all or a part of the allocated equity on a revolving fund basis.

Local Associations

Slightly less than 80 percent (713) of the 898 local associations carried certificates of equity or allocated capital credits on their books in 1954. Equity of this type amounted to over one-half the total equity capital reported by all the 898 locals included in the study. Almost 66 percent (470) of the 713 local associations reporting certificates of equity or allocated book credits were handling all or a part of these funds on a revolving basis.

Reports from the marketing locals indicated that almost 81 percent (490) of the 606 associations had certificates of equity or allocated capital credits in 1954. These accounted for over 58 percent of total equity capital of these locals. Almost 68 percent (332) of the 490 locals reporting certificates of equity or allocated book credits in 1954 were handling all or a portion of these capital credits on a revolving fund basis.

Over 76 percent (223) of the 292 farm supply locals reported certificates of equity or allocated book credits. These allocated capital credits amounted to over 32 percent of the total equity capital reported by all the local farm supply cooperatives included in this study. Almost 62 percent (138) of the 223 farm supply locals with certificates of equity or allocated capital credits on their

books in 1954 reported equity of this type on a revolving fund basis.

Regional Associations

Over 86 percent (223) of the 259 regionals reported certificates of equity or allocated book credits on their 1954 balance sheets. These capital credits amounted to almost 47 percent of total equity capital reported by all the regionals included in the study. Over 73 percent (164) of the 223 regionals with allocated capital credits were handling all or a part of such capital funds on a revolving basis.

Approximately 86 percent (167) of the 195 marketing regionals reported certificates of equity or allocated book credits

in 1954. These allocated capital credits amounted to slightly less than 55 percent of total equity capital of all the marketing regionals. Almost 80 percent (133) of the 167 marketing regionals with allocated capital credits were handling such credits on a revolving fund basis in 1954.

Farm supply regionals, on the other hand, reported certificates of equity and allocated book credits amounting to 37 percent of their total equity capital in 1954. Almost 88 percent (56) of 64 farm supply regionals showed allocated capital credits on their 1954 balance sheets. Over 55 percent (31) of the 56 farm supply regionals with allocated capital credits were handling them on a revolving fund basis.

Sources of Revolving Equity Capital

Farmer cooperatives, like all businesses, have three methods of acquiring capital -- selling, borrowing, or retention of net margins and savings. Members of cooperatives acquire their individual shares of equity capital by one of three methods -- purchase, authorized deductions, or refunds retained. Frequently the same association uses two of these methods, and occasionally all three.

Authorized capital deductions are those made by associations from sales proceeds in compliance with a bylaw provision or membership agreement. They usually take some such form as a deduction of 2 cents a box, 1 cent a dozen, or 1 percent of sales returns.

Refunds retained are operating margins or savings held by associations as an addition to capital. Payments to patrons of the patronage refunds represented by these savings and margins may be made in stock or some form of certificates but payment of cash is deferred until some future date.

Authorized capital deductions and refunds retained are the common methods used for building equity capital handled on a revolving basis. However, many cooperatives are organized with a substantial original investment on the part of members. This is true whether the

association is organized as a capital stock association or a nonstock association. When a nonstock association is organized, it is possible for prospective members to subscribe to the capital funds, by whatever name they are called, and receive evidence of their equity in the association, just as it is possible to subscribe to the capital stock, either preferred or common, of a stock association.

The bylaws of some associations require members to purchase one or more shares or units of equity capital when they join the association, and additional shares of book credits are acquired over the years by leaving patronage refunds with the association. An examination of the bylaws of associations included in this study indicates that many of the shares or credits of revolving equity capital purchased were acquired for membership qualifying purposes.

Figure 6 shows the sources of all 1954 equity capital of the 1,157 marketing and farm supply cooperatives included in this study. Comparable information for the equity capital of these associations which was handled on a revolving fund basis is shown in figure 7. Separate bars are shown for marketing and farm supply associations in both the local and regional groups.

Figure 6

Sources of equity capital of 1,157 marketing and farm supply cooperatives, 1954

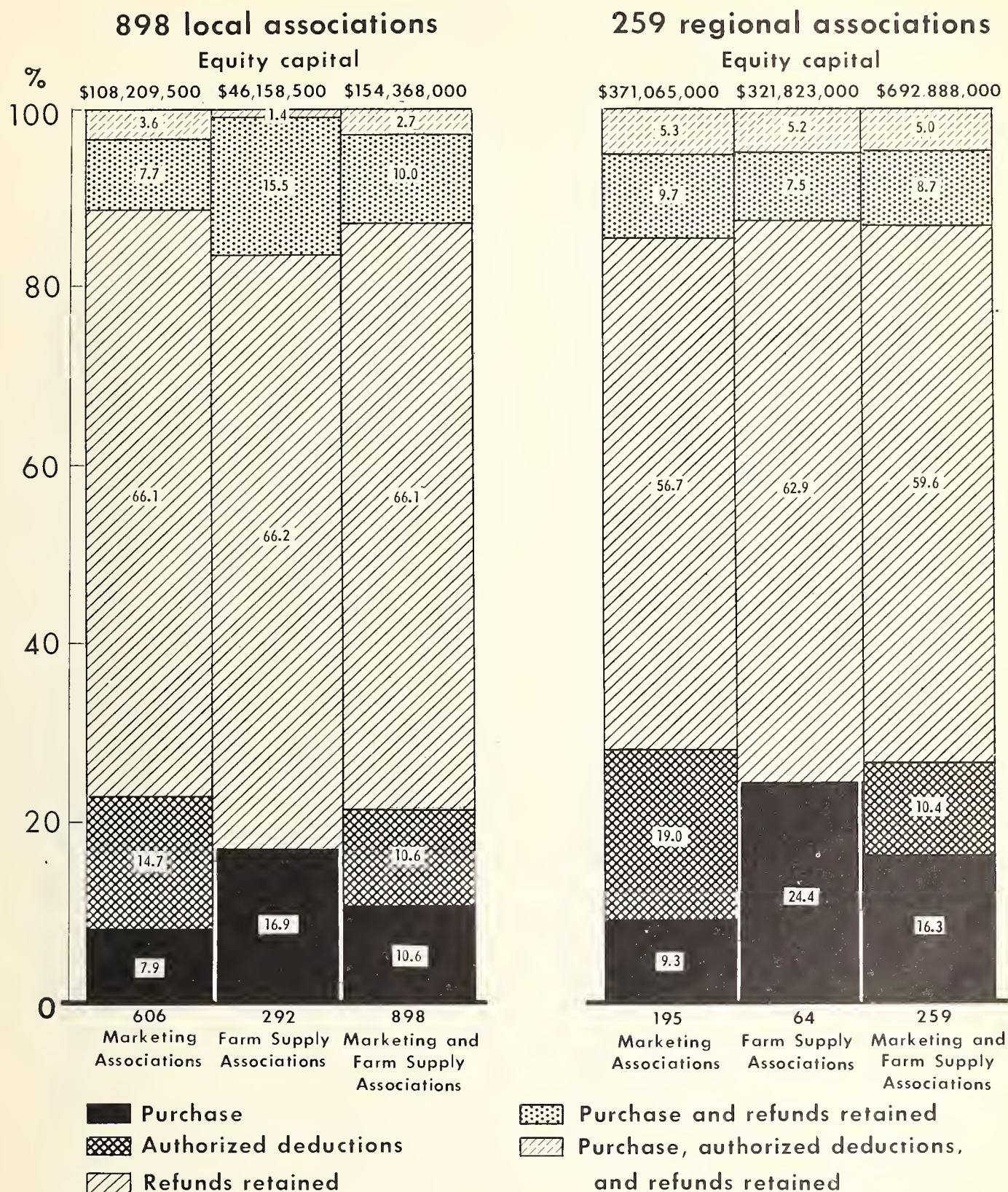
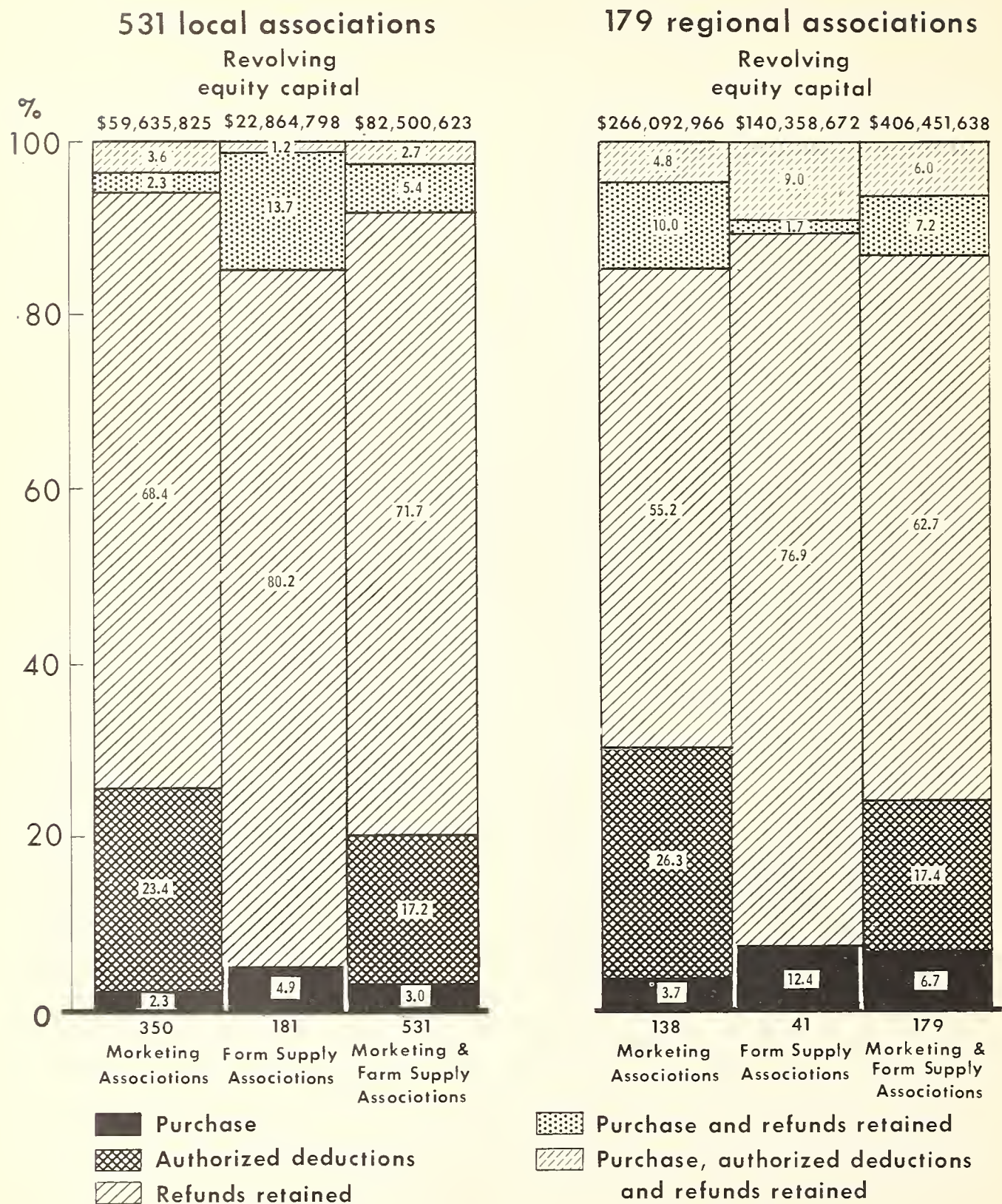


Figure 7

Sources of revolving equity capital of 710 marketing and farm supply cooperatives, 1954



While figure 6 covers all equity capital of 1,157 associations, figure 7 covers only the revolving equity reported by 710 associations in the sample group operating on a revolving fund basis.

As indicated by figures 6 and 7, major differences in the sources of equity capital handled on a revolving basis and the total of all equity capital was that a much smaller percentage of revolving equity capital was purchased and larger percentages were acquired by refunds retained and authorized deductions (appendix tables 6 and 7).

Almost 72 percent of the revolving equity capital of local associations was acquired by refunds retained for deferred payment. While retention of patronage refunds as a source of revolving equity was not as prevalent in regionals as in locals, members of regionals acquired almost 63 percent of their revolving equity capital by leaving patronage refunds with the cooperatives. In addition, over 5 percent of revolving equity capital of locals, and 7 percent of that of regionals, was acquired by a combination of purchase and retention of refunds. As indicated previously, most of the associations reporting combined sources were those whose bylaws required members to purchase one or more qualifying shares of equity capital upon joining the association. Additional shares were then acquired by retained refunds.

Less than 7 percent of the revolving equity capital of regionals was purchased outright by members. Only 3 percent was purchased outright by members of locals.

Purchase of revolving equity capital was much more prevalent with farm supply associations than with marketing associations. Members of farm supply locals purchased almost 5 percent of total revolving equity capital compared with only 2 percent purchased by marketing locals. While farm supply regionals purchased over 12 percent of total revolving equity capital, marketing regionals purchased less than 5 percent.

Over 17 percent of total revolving equity capital of associations included in this study was acquired by capital deductions made by associations from sales proceeds. This method of acquiring capital was insignificant with farm supply associations, but marketing locals acquired over 23 percent of their equity by authorized deductions, and marketing regionals over 26 percent.

The importance of each method--refunds retained, authorized deductions, and purchase--of acquiring equity capital handled on a revolving fund basis varies significantly by type of equity. Appendix tables 8 through 13 show sources of common stock, preferred stock, and certificates of equity and allocated book credits, separately for revolving equity capital and also for all equity capital, by type of equity. These three types of equity, plus membership voting certificates and unallocated reserves, accounted for the total equity capital reported by the 1,157 cooperatives. Separate tabulations are not included for membership voting certificates or unallocated reserves because they naturally were not handled by the associations on a revolving basis.

Interest and Dividends on Revolving Equity Capital

Whether farmer cooperatives should pay interest or dividends on revolving equity capital appears a debatable question. Some cooperatives contend that all money is worthy of its hire and this group favors payment of interest or dividends on all equity capital. Others feel just as strongly that no interest or dividends should be paid on any equity capital.

Where members provide their cooperative with revolving capital in proportion

to the use they make of their association, there would seem little point in paying either interest or dividends on such capital. However, where a cooperative has been operating for a number of years and there have been changes in membership and in business volume, the revolving fund method does not always result in equitable financing as between members.

Where members patronize their cooperative regularly year after year the

revolving fund plan provides capital roughly in proportion to the use each member makes of the association. But, in situations where a member quits farming or moves away, his investment under the revolving fund plan of financing may be tied up for a number of years without his having any use of his invested capital or getting any return from it. In these instances, such inactive members, it would seem, might be justified in insisting either on the return of their pro-rata part of the association's revolving fund or in receiving some return on their revolving fund investments.

Some cooperatives have provided for refunding the revolving fund equities out of turn if a member dies, quits farming or moves out of the area served by the association. Others have initiated modifications in their revolving fund plans to adjust member investments annually on the basis of each patron's use. Such steps may result in some members--those making little if any use of the association--being refunded a part of their revolving fund investment. Other members using the association a great deal may be called upon to pay into the revolving fund in the same year.

This study showed that many associations made no return on equity capital whatsoever; others went all the way and provided for a modest rate of return to every member having equity capital invested in his cooperative. However, many cooperatives took a middle-of-the-road approach and paid interest on some types of equity capital and not on others.

As shown in appendix table 14, 445 associations, over 38 percent of the 1,157 marketing and farm supply cooperatives included in this study, indicated that they paid no interest or dividends on any equity capital whatsoever. One hundred and twenty-seven associations or 11 percent reported that they paid some interest on all equity capital, except membership certificates (non-stock) and unallocated reserves. The other 585 associations, which accounted for approximately half the entire sample, followed the middle-of-the-road approach by paying interest on some stock, certificates of equity or allocated book credits, but not all types of equity capital.

Of the associations included in this study, 710 reported that some of their equity capital was being handled on a revolving basis in 1954. A comparison of these associations with the entire sample of 1,157 indicated that cooperatives handling equity capital on a revolving basis were more inclined to forego interest and dividend payments than associations not using the revolving fund plan.

Over 70 percent of the associations reporting revolving equity capital paid no interest whatsoever on any revolving funds. Only 10 percent paid interest on all revolving equity capital. The other 20 percent of the 710 associations with equity capital handled on a revolving basis paid interest on some but not on all types of revolving equity capital. Table 2 and appendix table 15 give a separate analysis of returns on revolving equity capital by local and regional cooperatives in the marketing and farm supply fields.

Slightly over 42 percent of the entire group of 801 marketing associations reported paying no dividends or interest whatsoever on any equity capital. Over 73 percent of the 488 associations in this group which handle equity capital on a revolving basis reported that all the revolving equity was noninterest-bearing.

Whereas over 11 percent of all the marketing associations reported that they paid some interest on all their equity capital (excluding nonstock membership certificates and unallocated reserves), only 8 percent of these associations with revolving equity paid interest or dividends on all of it.

The picture for the farm supply associations as a group was similar to that of the marketing group. Thirty percent of the 356 farm supply associations were paying no dividends or interest on any equity capital. Over 63 percent of 222 farm supply associations with equity capital handled on a revolving fund basis reported all revolving equity capital as noninterest-bearing.

Slightly over 10 percent of all the farm supply associations included in this study were paying dividends or interest on all equity capital (excluding nonstock membership certificates and unallocated reserves). This compared with 13 percent of the farm supply associations

Table 2. -- Associations reporting payment of interest or dividends on revolving equity capital,
fiscal year 1954

Type of association	Number of associations with revolving equity capital	Percent of associations paying interest or dividends on any revolving equity capital	Types of equity capital on which any interest or dividends were paid, with percent paid		
			Common stock	Preferred stock	Certificates of equity and book credits
(Percent)					
Marketing					
Locals	488	26.6	50.0	67.1	14.2
Regionals	350	25.4	49.3	65.1	11.7
	138	29.7	53.8	70.4	20.3
Farm supply					
Locals	222	36.9	41.2	60.4	12.4
Regionals	181	37.6	40.5	61.2	8.7
	41	34.1	46.2	50.0	29.0
All associations					
Locals	710	29.9	45.4	64.2	13.7
Regionals	531	29.6	44.7	63.0	10.9
	179	30.7	50.0	67.7	22.0

reporting revolving equity capital and paying interest on all of it.

Interest payments on equity capital were analyzed separately by locals and regionals. While over 36 percent of the 898 local associations reported that all of their equity capital was noninterest-bearing, over 70 percent of the 531 local associations with revolving equity capital reported that all the revolving funds were noninterest-bearing.

Almost 12 percent of the local associations were paying interest or dividends on all equity capital (except nonstock membership certificates and unallocated reserves). This compared with 10 percent of local associations paying interest or dividends on all revolving equity capital.

Over 45 percent of the 259 regional associations as a group were paying no dividends or interest on any equity capital. However, over 69 percent of 179 regional associations with revolving equity capital were paying no dividends or interest on any of it.

Almost 9 percent of the regional associations included in the sample were paying interest or dividends on all equity capital except nonstock membership certificates and unallocated reserves. Of the regionals with revolving equity capital 9½ percent reported interest or dividend payments on all of it.

Revolving Common Stock. - Over 71 percent (827) of the 1,157 cooperatives reported outstanding common stock in 1954. Approximately 22 percent, 185 of the associations reporting common stock were handling all or part of the stock on a revolving basis. About 55 percent of the 185 associations handling all or part of their common stock on a revolving basis reported only noninterest-bearing revolving common stock. Nearly 42 percent, or 77 associations, reported only interest-bearing revolving common stock. The other 7 associations reported more than one class of revolving common stock, some interest-bearing and some noninterest-bearing.

See appendix tables 16 and 17 for more detail on number of associations paying dividends on common stock and also for a comparison of common stock dividend payments by all associations with revolving common stock.

Revolving Preferred Stock. - Outstanding preferred stock was reported by 437 associations, almost 38 percent of the 1,157 included in the study. Of these associations 123, or 28 percent, reported revolving preferred stock. Fifty-seven percent of the associations reported only interest-bearing revolving preferred stock, 36 percent reported only noninterest-bearing revolving preferred stock, and the other 7 percent reported both interest-bearing and noninterest-bearing revolving preferred stock. Statistical tabulations of numbers of cooperatives providing for dividend payments on preferred stock and revolving preferred stock are shown in appendix tables 18 and 19.

Revolving Certificates of Equity and Allocated Book Credits. - Almost 81 percent of the 1,157 associations, 936, reported certificates of equity or allocated book credits in 1954. Almost 68 percent (634) of these associations reported some revolving certificates of equity or allocated capital credits. Over 86 percent of those with revolving capital certificates or credits, 547, reported only noninterest-bearing revolving capital of this type; 47 associations, or 7 percent, reported only interest-bearing revolving capital certificates or credits; and the other 40 associations, a little more than 6 percent, reported some interest-bearing and some noninterest-bearing revolving equity certificates or allocated capital.

See appendix table 20 for more detail on number of associations paying interest on certificates of equity and capital credits, and appendix table 21 for comparable information limited to those associations reporting equity certificates or allocated capital credits handled on a revolving fund basis.

Number of Associations Making Interest and Dividend Payments

Of the 710 associations reporting some revolving equity capital in 1954, almost 30 percent reported dividend or interest payments on all or a part of their revolving capital. Rates of return varied, but 4 percent was by far the most frequent rate reported. Over 83 percent of the associations making any return were

paying less than 6 percent. The rates of return and the number of associations reporting each rate were as follows:

<u>Rates of return on revolving equity capital</u>	<u>Number of associations reporting each rate</u>
1.0 - 2.9 percent	24
3.0 - 3.9 percent	35
4.0 - 4.9 percent	100
5.0 - 5.9 percent	41
6.0 - 6.9 percent	31
7 percent and over	7
	<hr/> 238

Although only 212 associations reported any return on revolving equity capital, some of the associations with more than one type of revolving equity reported a different rate for each type.

A detailed analysis showing the number and percent of associations with revolving equity capital that reported paying interest or dividends on any of it in 1954, by rates of return, is given in appendix table 22.

Over 45 percent of the associations with any common stock handled on a revolving basis reported dividend payments on all or a part of it in 1954. Over half of the associations reporting revolving common stock subject to dividends were paying dividend rates of around 4 or 5 percent annually. Only 2 associations reported revolving common stock paying dividends of 7 percent or over. See appendix table 23 for further analysis of dividend rates on revolving common stock.

A higher percentage of the associations reported dividend payments on revolving preferred stock than on revolving common stock. Over 64 percent of the 123 associations with revolving preferred stock reported dividend payments on the stock in 1954. The most frequent rate reported was 4 percent but 20 associations reported 6 percent. Only 5 associations reported revolving preferred stock providing a dividend rate of 7 percent or over. For a more detailed analysis of revolving preferred stock dividend rates, see appendix table 24.

Less than 14 percent of the 634 associations with revolving equity certificates or capital credits reported interest

payments on any of this revolving capital in 1954. A majority of the associations paying any interest were paying 4 or 5 percent and none were paying as high as 7 percent. Appendix table 25 provides a more complete analysis of the number and percent of associations reporting interest on revolving certificates of equity and allocated capital credits.

Percentage of Revolving Equity Capital Bearing Interest or Dividends

The preceding section relating to interest and dividend payments on revolving equity capital dealt exclusively with an analysis of the number of cooperatives making returns and the rates of return made. This section deals with the amounts or percentages of total revolving equity capital which is noninterest-bearing and the rates of interest paid on the remaining interest-bearing portion.

The 1,157 cooperatives reported total equity capital handled on a revolving fund basis in 1954 amounting to almost \$489 million. About 71 percent of this capital was noninterest-bearing, over 16 percent carried an interest or dividend rate of approximately 4 percent, and the remaining 13 percent of revolving equity capital carried a rate of return ranging from 1 percent to around 7 percent. However, less than \$1 million, or two-tenths of 1 percent of the total amount reported carried an interest rate as high as 7 percent.

Over 83 percent of the \$489 million revolving equity capital was reported by regional marketing and farm supply associations. A little less than 70 percent of the revolving equity capital reported by all the regionals as a group was noninterest-bearing, almost 18 percent carried a rate of return as high as 4 percent but less than 5 percent, and the other revolving equity capital reported by regional associations bore interest of from 1 percent to around 7 percent annually. Only \$408,000, or approximately one-tenth of 1 percent of the total, however, carried an interest rate of 7 percent or over.

The local associations as a group reported over 76 percent of their equity capital handled on a revolving fund basis

Figure 8

Interest and dividend rates on revolving equity capital of marketing and farm supply cooperatives, 1954

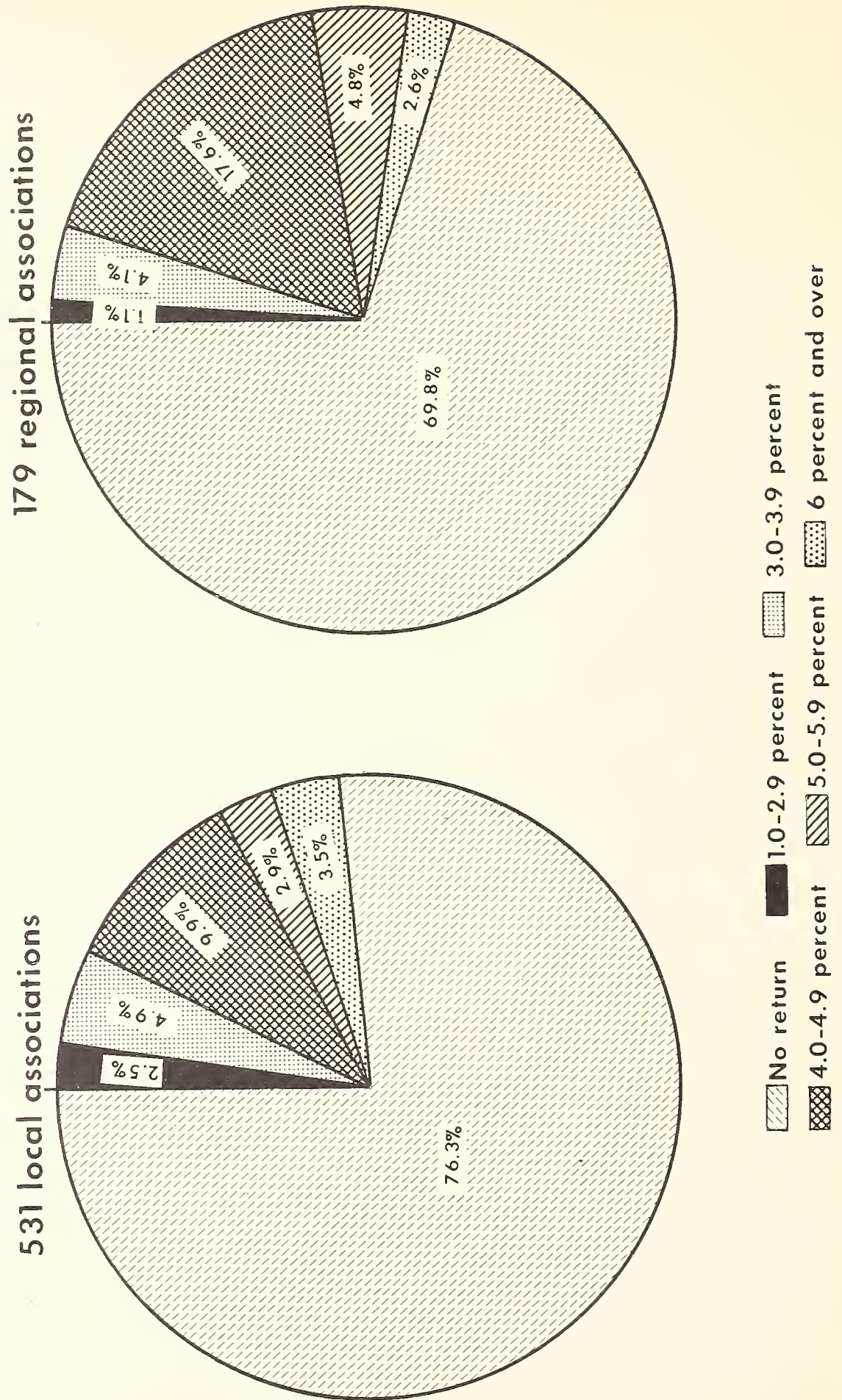


Figure 9

Interest and dividend rates on revolving equity capital of 488 marketing cooperatives, 1954

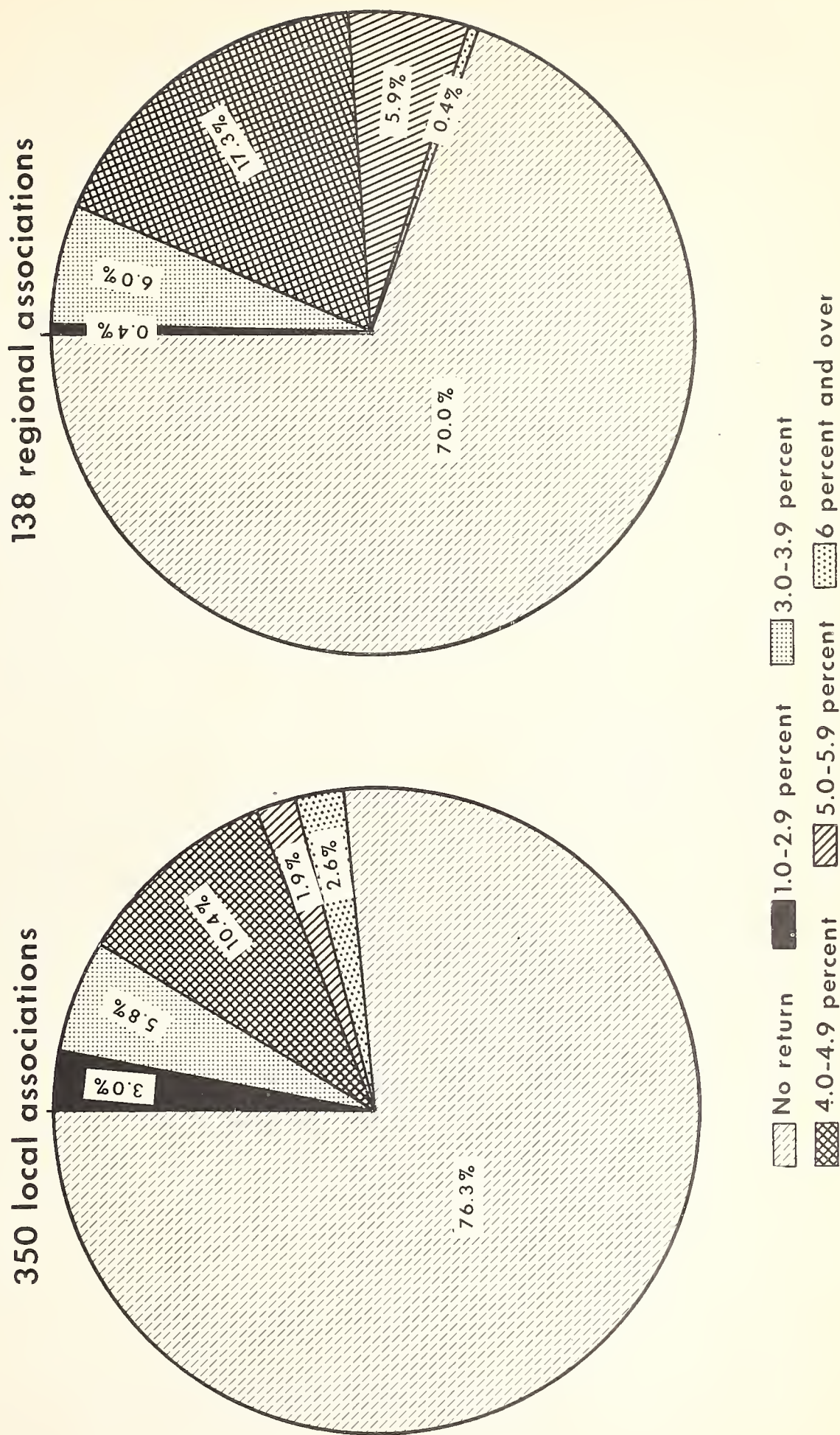


Figure 10

Interest and dividend rates on revolving equity capital of 222 farm supply cooperatives, 1954

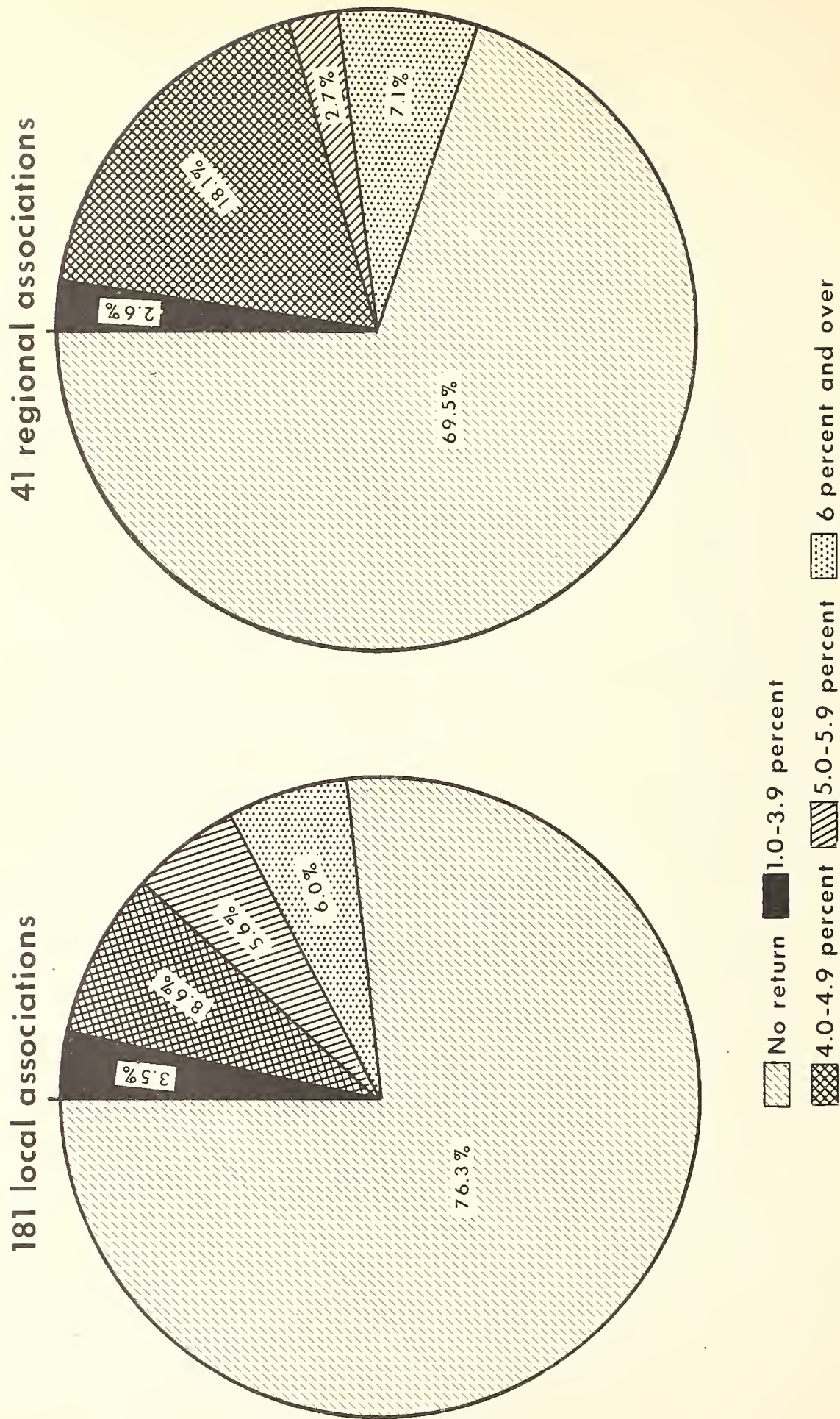


Figure II CHANGES IN REVOLVING FUND CAPITAL OF 717 FARMER COOPERATIVES, 1949-54

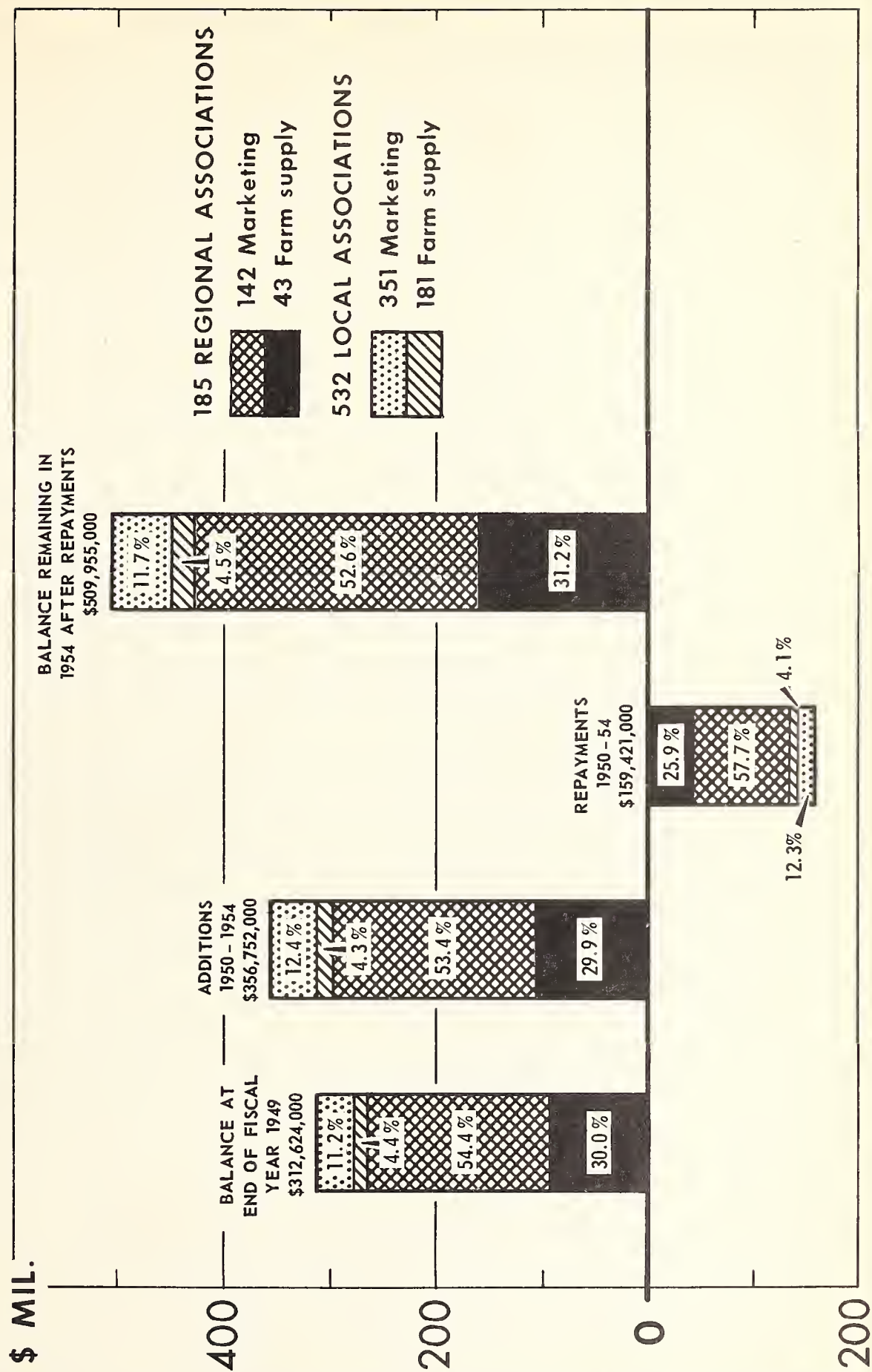


Table 3. -- Percentage of revolving equity capital of associations in sample bearing interest, fiscal year 1954

Type of association	Associations with revolving equity capital	Percent of revolving equity capital bearing interest or dividends, by type of equity capital			Percent of all revolving equity capital bearing interest or dividends
		Common stock	Preferred stock	Certificates of equity and book credits	
Marketing					
Locals	350	78.8	77.8	13.4	23.7
Regionals	138	18.8	49.9	26.7	30.0
Farm supply					
Locals	181	25.8	81.7	9.4	23.7
Regionals	41	25.7	10.2	43.0	30.5
All locals	531	42.7	79.0	12.6	23.7
All regionals	179	22.9	34.6	30.9	30.2

was noninterest-bearing. Approximately 10 percent of the total carried a rate of return close to 4 percent, and the remaining 14 percent of revolving equity capital of local associations provided for a rate of return ranging from 1 percent to over 7 percent. Less than \$600,000 of revolving equity in the local associations carried an interest rate as high as 7 percent, however.

A more complete analysis of rates of return on revolving equity capital of marketing and farm supply cooperatives is made in figures 8, 9, and 10 and appendix table 28.

A little more than 29 percent of all the revolving equity capital reported by the 1,157 associations was interest-bearing. Rates of return on revolving equity capital varied by type of association and by type of equity capital. Table 3 shows the percent of revolving equity capital bearing interest or dividends by type of equity. The specific rates of return on revolving equity capital by

types of equity, will be found in appendix tables 30, 32, and 34.

For those who would like to make a comparison of rates of return on revolving equity capital and rates of return on all equity capital, the appendix includes separate tabulations of interest and dividend rates on all equity capital reported by the 1,157 cooperatives included in this study, regardless of whether the capital was handled on a revolving basis.

An analysis of interest and dividend rates on all equity capital is shown in appendix table 26. Appendix table 27 analyzes interest and dividend rates on all stock and allocated capital credits--the types of equity capital that are adaptable to the revolving fund method of financing. Separate analyses of rates of return on common stock, preferred stock, and equity certificates and allocated capital credits are given in appendix tables 29, 31, and 33. Comparable tabulations for revolving equity capital are shown in appendix tables 28, 30, 32, and 34.

Changes in Revolving Fund Capital, 1949-54

To find out how much revolving funds actually revolve, associations were asked to furnish a report of revolving capital supplied by patrons and amounts repaid to patrons for the period, 1949-54.

As shown in appendix table 35, 717 associations reported revolving equity capital amounting to almost \$510 million at the close of their 1954 fiscal years. Approximately 84 percent of this \$510 million was reported by 185 regional associations, leaving only \$82 million in revolving funds of 532 local associations.

Revolving funds of 493 marketing associations accounted for 64 percent of the total revolving capital, and those of 224 farm supply associations for the other 36 percent.

At the end of the 1949 fiscal year, the 717 cooperatives reported revolving fund capital aggregating almost \$313 million. During the 5-year period, 1950-54, nearly \$357 million was added to revolving funds and more than \$159 million was paid out, leaving a balance of about \$510 million in revolving funds at the

close of fiscal year 1954. Appendix table 35 shows these data separately for local and regional associations in both the marketing and farm supply groups.

Changes in revolving fund capital reported by the associations are more clearly portrayed in figure 11. The percentage of the total revolving capital represented by each type of cooperative is indicated for the 1949 balance, the 1950-54 additions and repayments, and the balance remaining at the close of fiscal year 1954.

During the 5-year period revolving fund capital grew by some 63 percent. This means that farmer cooperatives accumulated revolving fund capital at a faster rate than they paid it out. But it should not be concluded that revolving funds are a one-way street, because the 717 cooperatives in the sample used for this study paid over \$159 million in cash out of revolving funds during the 5-year period.

Many of the 717 cooperatives using the revolving fund plan of financing

adopted it during the 5-year period, 1950-54 and had not accumulated enough capital to enable them to start revolving. Other associations had not formally adopted the revolving capital plan, but indicated their intention to follow the policy of retiring their oldest outstanding capital first, as soon as funds for this purpose became available.

The ratio of repayments for the period, 1950-54, to the balance at the end of fiscal year 1949, for all associations, was 51 percent. The same ratio for local associations was 53 percent. Comparing the marketing associations with the farm supply group, the ratio was 54 percent for the marketing cooperatives and 44 percent for cooperatives handling farm supplies.

Using the revolving capital balance at the close of fiscal year 1949 as a base, and dividing by the average annual repayments from 1950 through 1954, the revolving fund period on the average was a little less than 10 years for both regional and local associations. However, the funds revolved on the average in approximately 9 years in marketing associations, and required over 11 years in farm supply associations.

Appendix table 36 shows amounts and changes in revolving capital reported by marketing associations, by commodity groups, for the period 1950-54.

The revolving fund period, on the average, for cotton associations was 5 years for locals and 8 years for regionals.

Members of dairy locals had to wait 9 years on the average for their funds to completely revolve, while the members of dairy regionals could not expect return of their revolving capital until approximately 12 years had passed.

The average revolving fund period for both local and regional fruit and vegetable associations was about 9 years.

Grain cooperatives revolved capital somewhat more slowly than the average for all marketing associations. The period for local grain cooperatives approximated 10 years, compared to 14 years for grain regionals.

The revolving period for livestock associations was about the same as for grain associations--11 years for locals and 14 years for regionals.

Regional poultry associations, on the other hand, required only 4 years on the average to completely revolve their capital, while the local poultry associations required a period of 10 years on the average.

The preceding data differs slightly from the data on revolving equity capital reported in other sections of this report. A major reason for these differences lies in the fact that a limited number of cooperatives were handling what they considered debt capital on a revolving fund basis. Thus, some associations furnished reports covering only equity capital handled on a revolving basis, while others furnished reports covering all capital handled on a revolving basis.

The classification of certain types of capital as equity capital or debt capital is an area where confusion exists among cooperatives.

Certificates of equity, certificates of indebtedness, and other certificates of like nature issued by farmer cooperatives are sometimes puzzling financial instruments to classify either as borrowed capital or equity capital, particularly where they bear maturity dates.

In some respects certificates with such provisions have the characteristics of hybrids--embodying some of the qualities of borrowed capital and some of the earmarks or attributes of equity capital. The classification and treatment assigned certificates in accounting records is often dependent on whether the issuing cooperative considers it is acquiring borrowed capital or equity capital when it issues certificates. Thus, it is not unusual to find certificates of indebtedness bearing interest and having a definite maturity date classified among the liabilities as borrowed capital on one balance sheet and as net worth or equity capital on another.

Certificates may or may not bear interest and may or may not have a maturity date. Thus, a farmer cooperative issuing a certificate of indebtedness to members bearing 4 percent interest with a 10-year maturity date may consider, with some justification, that it is acquiring equity capital at the time the funds are paid in to the cooperative. But as the years pass and the maturity date

approaches, the nature of this form of "equity capital" changes to that of a liability. And in the year of maturity any credit agency looking over the association's balance sheet would insist on classifying such certificates of indebtedness, not only as borrowed capital, but as current liabilities.

This problem was recognized at the time this study was undertaken. Associations were requested to include all certificates of indebtedness bearing interest and having definite maturity dates as borrowed capital. Certificates of equity, and other like certificates, bearing no interest and having no maturity dates were to be classified as equity capital. Likewise, certificates of equity bearing interest, but having no maturity date, were also to be classified as equity capital. All certificates with definite maturity dates were to be classified as borrowed capital.

But many cooperatives issue revolving fund certificates to members evidencing savings of the cooperatives retained in the business. Some of these revolving fund certificates are issued in annual series bearing interest and maturing after a specified number of years. As these revolving fund certificates mature they too tend to lose their characteristics of equity capital and take on those of borrowed capital and current liabilities.

In this study, if an association reported certificates with maturity dates as borrowed capital on the questionnaires they submitted, the classification was not changed to equity capital unless there was evidence, either through correspondence, audit statements, or interpretation of the bylaws, that a change should be made. In making such changes the following factors were taken into consideration: Whether substantially all of the certificates in question were in the hands of members of the association and whether the certificates had been acquired through allocation of patronage refunds.

Other factors contributing to slight differences in the data on revolving equity capital reported in this section and that reported in other sections arose from the fact that some associations reported their net savings or margins for the current year as undistributed, and

these amounts were not included as a part of the equity capital handled on a revolving basis.

Then, too, a limited number of the cooperatives reported balance sheet information for fiscal years immediately preceding or following 1954 when 1954 information was not available. Such answers were accepted and tabulated as reported, but as a result, minor differences in total amounts occurred.

When the changes in revolving fund capital reported by the 1,157 cooperatives included in this study were expanded to cover all 9,793 marketing and farm supply cooperatives (excluding bargaining associations) listed with Farmer Cooperative Service in 1954, it was estimated that these cooperatives had revolving fund capital amounting to over \$726 million at the close of fiscal year 1949. During the 5-year period, 1950-54, almost \$838 million was added to revolving funds and over \$373 million was paid out, leaving a balance of almost \$1.2 billion in revolving funds at the close of fiscal year 1954. National estimates, computed separately for local and regional associations, are shown in appendix table 37 for both marketing and farm supply groups.

In arriving at national estimates for the regional associations, questionnaire data were used for the 259 regional associations in the sample, and individual estimates based on reports and other data on file were made for the other 174 regional associations listed with FCS in 1954. An individual estimate of revolving funds was made for each regional association listed when current data were not available. This was done by making adjustments in earlier reports from the associations.

Individual estimates could not be made for each of the 8,462 local associations listed with FCS in 1954 and not included in the survey. Therefore, the reports from the 898 local associations submitting usable questionnaires served as a basis for expanding the data to cover the entire 9,360 local associations listed in 1954. This was accomplished as follows:

Frequency distribution tables were prepared, based on volume of business

groupings, for each commodity and farm supply group of local cooperatives listed with FCS in 1954. Data from the sample associations were fitted into these frequency distribution groupings, and an average of revolving funds for each volume of business group, by commodities, was computed. These averages were then applied to the total number of associations in each group to arrive at

estimated revolving funds for the 9,360 local associations.

The national estimates for revolving funds of the regional and local associations were then added. Duplications arising from intercooperative investments were not eliminated from these figures. Thus, the national estimates shown represent gross figures for the local and regional cooperatives rather than net figures.

Use of "Fixed" Period of Revolution

In most cooperatives using the revolving fund method of financing the period of revolution is discretionary with the board of directors. However, the bylaws of some associations provide for a fixed revolving fund period.

A fixed period of revolution is understandable in some associations, such as some of the larger farm supply organizations operating with substantial investments in the form of certificates of interest or certificates of indebtedness held partly by nonmembers. However, uncertainty of operations usually makes the practice of a "fixed" revolving period undesirable for most cooperatives.

For example, associations required to retire substantial parts of their equity capital during years of reduced revenues may find themselves with inadequate operating capital. Provisions of their financing agreements put them in the position of having to reduce the capital investment of patrons when additional funds may be actually needed for current operations or for expansion of services.

Most of the disadvantages of revolving fund financing reported by associations could be avoided by leaving the actual period of revolution to the discretion of the board of directors. Thus, associations would not be required to revolve capital in a year when it was financially inadvisable to do so.

Of the 717 associations included in this study using the revolving fund method of financing, 65, or 9 percent, were required by their bylaws to retire revolving fund capital investments at a predetermined fixed period. Of the 185 regional associations with revolving fund capital, 15 percent had fixed periods of revolution for revolving funds compared with 7 percent of the 532 locals.

Approximately 8 percent of 493 marketing associations reported fixed periods of revolution for revolving funds compared with almost 12 percent of the 224 farm supply associations. Over 32 percent of 43 regional farm supply associations with revolving capital operate with fixed periods of revolution (appendix table 38).

Adjustable Revolving Fund Capital Plan for Revolving Net Balances

Where patronage is constant, volume fluctuations are small, and members remain active, the revolving fund method of retiring and repaying the oldest outstanding capital first works well. But in circumstances where an association has been in business for a number of years and a portion of its membership has become inactive, deliveries of products to

the association have become irregular and the revolving fund period is of extended duration, substantial financial inequities between members can arise in administration of the revolving fund plan.

A group of cooperatives operating on the revolving fund basis and confronted with this problem asked Farmer Cooperative Service to study the situation and

try to develop a plan designed to eliminate the inequities if possible. The study resulted in a proposal of a modified form of revolving fund plan wherein each member's revolving fund credits are adjusted annually to his patronage. Under the modified revolving fund plan every member, both active and inactive, will be on either a paying in or a paying out basis, but not on both bases in any one year.

The following steps are considered necessary to a proper adaptation of the adjustable revolving fund plan by cooperatives:

1. Determine the desired level of capital requirements of the association.
 2. Compute each member's share of the revolving fund annually.
 3. Adjust each member's balance in the revolving fund annually.
 4. Determine each member's balance in the revolving fund on the basis of an annual moving average.
 5. Adjust each member's revolving fund account by debit and credit entries.
- The following illustration shows the adjustments in revolving fund balances required to implement the adjustable capital revolving fund plan.

Capital revolving fund plan adjusted on a 5-year patronage basis for individual members compared with their actual investment position on December 31, 1956

Members numbered consecutively	Revolving fund credits outstanding to individual members on December 31, 1956	Average revolving fund deductions for preceding 5 years	Percent that each member's average revolving fund deduction for preceding 5 years is of total average revolving fund deductions for the same 5 years	Each active member's adjusted capital obligations	Amount of capital adjustment for each active member <u>1/</u>
1	\$788.28	\$31.09	.3718	\$235.80	+ \$552.48
2	2,984.18	521.96	6.2427	3,959.23	- 975.05
3	7,706.88	971.57	11.6200	7,369.61	+ 337.27
4 <u>2/</u>	1,541.11	-	-	-	-
5	730.28	82.28	.9841	624.13	+ 106.15
6	508.25	254.12 <u>3/</u>	3.0393	1,927.58	- 1,419.33
7	6,149.05	751.13	8.9836	5,697.56	+ 451.49
8	13,241.04	1,643.29	19.6539	12,464.85	+ 776.19
9	1,625.72	541.91 <u>3/</u>	6.4813	4,110.56	- 2,484.84
10 <u>2/</u>	194.08	-	-	-	-
11	1,475.92	151.17	1.8081	1,146.73	+ 329.19
12 <u>2/</u>	19.82	-	-	-	-
13	2,503.72	254.20	3.0403	1,928.21	+ 575.51
14	255.42	30.79	.3683	233.58	+ 21.84
15	883.19	110.16	1.3175	835.58	+ 47.61
16	1,546.41	185.79	2.2220	1,409.23	+ 137.18
17	5,457.44	675.06	8.0738	5,120.55	+ 336.89
18	220.07	73.36 <u>3/</u>	.8774	556.46	- 336.39
19 <u>2/</u>	1,771.18	-	-	-	-
20	1,354.81	165.90	1.9842	1,258.42	+ 96.39
21	2,452.52	589.69 <u>3/</u>	7.0528	4,473.01	- 2,020.49
22	547.77	59.52	.7119	451.50	+ 96.27
23 <u>2/</u>	528.26	-	-	-	-
24	8,873.21	1,268.13	15.1670	9,619.18	- 745.97
25 <u>2/</u>	63.16	-	-	-	-
Totals	63,421.77	8,361.12	100.0000	63,421.77	+ 3,864.46 - 7,982.07

- 1/ (+) Amount of capital to be repaid to member. (-) Required amount of additional capital to be furnished by member.
- 2/ Inactive members having total equities of \$4,117.61 in the association revolving fund.
- 3/ Active member of association less than 5 years.

The capital obligations of members under the adjusted revolving fund plan were developed as follows:

1. Indicate the amount of each individual member's equity in the revolving fund at the end of the current fiscal year as shown in column 2. For example, member number 1 had \$788.28 stock outstanding in the local association's revolving fund at the end of the 1956 fiscal year. The total amount of active and former members' capital equity in the association revolving fund at the end of 1956 was \$63,421.77.

2. Determine the amounts of revolving fund deductions of active members for the 5 fiscal years preceding the date of such calculation. (The period of preceding 5 years was selected on an arbitrary basis. For some associations it might be more desirable to use a different number of years in the average. The current period of revolution of the revolving fund, for example, might well be used.)

The primary consideration underlying this step was to obtain a ratio for each member which reflected his use of the association. Ordinarily, physical units such as field boxes or hundredweight would be used. However, where uniform rates of retain are applied, calculation of the average on the basis of revolving fund deductions would yield the same result. In situations where active members had participated less than 5 years the average was determined on the basis of the actual number of years in which the members had been active in the association.

The average of the revolving fund deductions for the preceding 5 years was a key factor in determining the amount of capital adjustment required of each member. Column 3 shows the average of the revolving deductions of each active member in the association revolving fund. For example, the average of the revolving fund deduction of member number 1 in the association revolving fund was \$31.09.

3. Next calculate the percentage that individual members' average revolving fund deductions for the last 5 years is of the total average amount of active members' deductions for the same period.

The percentages shown in column 4 were obtained in this manner. Using member number 1, as an example, a percentage of 0.3718 was obtained by dividing this member's average revolving fund deductions of \$31.09 by \$8,361.12, the total average revolving fund deductions for preceding 5 years.

4. Determine each active member's share of the association's revolving fund of \$63,421.77 (column 2) by applying the percentages from column 4 to this total. For example, the amount of member number 1's capital requirement in the association revolving fund was thus determined to be \$235.80.

5. The difference between the amount of capital determined for each individual member on the basis of revolving fund deductions for the preceding 5 years, and the individual members' actual share in the association's outstanding revolving fund at the date of such computation (column 2 less column 5) indicates the total amount of capital adjustment for each member. This adjustment indicates each active member's capital position and whether he is overpaid or underpaid in terms of his investment in the association, based upon his use of the association during the preceding 5 years.

If the adjusted amount of capital exceeds the member's actual investment in the revolving fund, he is underpaid and therefore would be eventually required to furnish additional amounts of capital to the association. For example, member number 2, with \$2,984.18 in revolving fund credits outstanding in the association revolving fund, had a capital requirement of \$3,959.23 when calculated on the preceding 5-year patronage basis. This member would be required to furnish an additional \$975.05 as his proportional share of capital based on his patronage for the preceding 5 years.

On the other hand, member number 1 had credits outstanding in the revolving fund of \$788.28 as compared with his requirement of \$235.80. This member would be credited with an additional \$552.48 earmarked for repayment to him. Whether actual repayment could be made to the member immediately would depend upon the funds available through payments by members and commitments

to repay older outstanding capital contributions of both active and inactive members.

The decision on the matter of accounting for the capital adjustments would, in all probability, be resolved by action of the board of directors, perhaps on a 5-year basis. Another alternative might be to use the same number of years as the present period for which revolving funds were being repaid. It was considered advisable that after the plan was initiated the capital adjustments be made for each fiscal year.

Evaluation of Adjustments Necessary To Implement Adjustable Plan. - The data show the adjustments considered necessary to implement the adjustable revolving fund capital plan with an association's revolving fund. Six members would eventually be required to furnish \$7,982.07. Of this amount, \$4,117.61 would be required at any given time to replace capital in the association revolving fund furnished by former members who were at the time inactive. The amounts of additional capital to be furnished by these six members ranged from \$336.39 to \$2,484.84. These adjustments were the result of changes in the member volume of business as well as for member capital which had to be repaid to former members. The amounts of capital that eventually would have to be repaid active members ranged from \$21.84 to \$776.19.

The adjustable capital plan does not appear to be adaptable to organizations in the process of great expansion or for associations heavily in debt. Before the adjustable capital plan can be put into effect, many other aspects, including legal considerations, should be fully investigated. These include explaining the plan to membership and obtaining any required consent of members having equity in revolving funds.

It is not recommended that the adjustable revolving fund capital plan be taken as a model for financing all cooperatives as its application is suitable for particular rather than general usage. However, the adoption of the adjustable revolving fund method of financing merits consideration by some associations. Further research and study are

recommended to individual associations before reaching a determination whether or not to adopt the adjustable capital plan.

Apparent Advantages of Adjustable Plan. - Application of the plan materially affects the annual amounts required as revolving fund deductions as well as the amount of the revolving fund repayments.

The plan preserves the revolving fund principle but only net capital adjustments are revolved.

It lessens the immediate impact of financing the cooperative for some members.

It provides a clearer basis for making known to members the exact amount of their capital responsibilities to the association.

It has an important psychological effect on members in the financing of cooperatives.

Apparent Disadvantages of Adjustable Plan. - The use of the plan requires additional amounts of recordkeeping. However, this aspect does not appear to be a major obstacle in installing this method of financing.

Some growers find the plan difficult to understand.

The plan necessitates changes in bylaws before it can be adopted.

Conclusion. - The adjustable capital plan is still in the exploratory stage, but it deserves consideration by certain types of associations in position to adopt it. One of the primary factors appears to be a reasonably stabilized position of member capital. In addition, a slowly changing membership and a volume of business not in a declining position are significant factors. There is no reason, however, why an association now actively engaged in increasing its member capital should not ultimately adopt the principle of revolving net balances if it should elect to do so.

The procedure for installing an adjustable capital plan has been worked out in the illustration given, and analysis indicates the possible uses of this modified form of the revolving capital plan. The illustration meets the requirements for use of the adjustable capital plan in the following respects:

- (1) The association has reached a

reasonably stabilized capital position, (2) the membership has changed slowly, (3) the facilities are employed approximately at capacity, (4) the membership is

small, which minimizes the amount of recordkeeping, and (5) small membership facilitates explanation and understanding of the adjustable capital plan.

Revolving Fund Financing by California Farmer Cooperatives

The Department of Agricultural Economics of the University of California developed and sent out a questionnaire¹ to 460 California agricultural cooperatives in 1952 inquiring into their financing methods. Some 180 of these questionnaires were completed and returned to the University. The percentage return was just under 40 percent.

For comparative purposes some of the revolving fund data obtained from the California cooperatives in 1952 have been tabulated by Farmer Cooperative Service in order to reveal any similarities or differences between the California figures and those resulting from the 1954 FCS nationwide study.

The revolving fund method of financing has been used in California for many years. Some of the existing associations began using this method in the early years of the present century. Since then a majority of local and federated marketing associations have made use of this method of financing -- either as the main or an important supplementary means of raising facility and operating capital from member patrons.

Many of the California cooperatives have been using revolving fund financing over a longer period of years than farmer cooperatives in other parts of the country.² Their longer experience has enabled them to develop and perfect their revolving fund techniques. A large percentage of the California associations have long since found the answers to problems encountered by associations just adopting the revolving fund principle. The length of the revolving fund period

for California cooperatives in 1952 was noticeably shorter than the average for all farmer cooperatives reported in 1954. Perhaps the nature of the products handled by the California cooperatives or the types of their organizations were responsible partially for this time differential.

A total of 157 associations (130 locals and 27 regionals) using the revolving equity method of financing in California reported over \$72 million in revolving funds in 1952. All these cooperatives were classified as marketing associations except three service organizations and two local farm supply associations. For this reason data obtained from the California associations were compared with similar data obtained from the 801 marketing cooperatives studied by Farmer Cooperative Service in 1954 rather than the total of 1,157 marketing and farm supply associations.

California farmer cooperatives make much less use of common and preferred stock for financing purposes than other cooperatives throughout the country. Of the 157 California cooperatives included in the study only 12, or less than 8 percent, reported common stock as a part of their capital structure and only one association out of the 157 reported outstanding preferred stock. Of the California associations reporting common and preferred stock four reported handling their common stock on a revolving basis.

In contrast, the nationwide study of farmer cooperative financing methods conducted by FCS shows that 559, or almost 70 percent, of the entire sample of 801 marketing cooperatives, were organized with common stock. And 88 of the marketing cooperatives organized with common stock were revolving their stock.

In the case of preferred stock the nationwide study showed 262, or almost 33 percent of the entire sample of

¹These questionnaires were made available to FCS by J. M. Tinley, Dept. of Agr. Econ., Univ. of Calif., Davis. Permission was granted for use of such information as was relevant to this nationwide study.

²Erdman, H. E. and Larsen, Grace. The Beginnings of Revolving Finance among Cooperative Associations. Dept. of Agr. Econ., Univ. of Calif., Berkeley.

801 marketing cooperatives, with preferred stock as a part of their capital structure. Of the 262 associations with preferred stock, 70 were revolving their stock.

Over 92 percent of the California cooperatives submitting questionnaires in 1952 reported the use of revolving funds. This compares with 61 percent for the marketing cooperatives included in the nationwide study of cooperative financing methods in 1954.

Almost 90 percent of the California cooperatives reported in 1952 that their revolving capital was noninterest-bearing. The most frequent rate reported by those associations with interest-bearing revolving capital was 4 percent annually.

Of the associations reporting revolving equity capital to Farmer Cooperative Service in 1954, 70 percent indicated that all their revolving funds were noninterest-bearing. Of 634 associations reporting revolving equity certificates or book credits (excluding common and preferred stock), 86 percent indicated that all their revolving funds were noninterest-bearing. This percentage is more comparable to the one reported by the California cooperatives, since most of the California associations submitting questionnaires were nonstock cooperatives.

Following are methods used by 157 California cooperatives to acquire revolving fund capital with the percentage of associations using each:

<u>Method used</u>	<u>Percent</u>
Deductions from proceeds of sales	68.4
Allocation of operating overages or savings	12.5
Assessment of members	9.2
Both deductions from proceeds of sales and allocation of operating overages or savings	7.9
Combinations of above methods	2.0
	100.0

The approximate period of revolution reported by the California associations varied from 5 to 12 years, the average length of the revolving period was 6.8 years for local associations and 5.7 years for regionals. The average period of revolution for California associations

handling citrus was 7 years; field crops, 5 years; berries, olives and nuts, 6 years; animal products, 6 years; wines, 8 years; deciduous fruits, 7 years; and service associations, 12 years.

Only 6 cooperatives, less than 4 percent of the 157 California associations, indicated that their bylaws provided for a fixed period of revolution. All 6 of these associations were locals. None of the regionals had a fixed revolving fund period. In comparison, 9 percent (65) of 717 associations with revolving fund capital included in the nationwide study made by Farmer Cooperative Service reported fixed periods of revolution. However, over 32 percent of the farm supply regionals with revolving capital reported fixed periods of revolution compared to 7 percent of 532 marketing and farm supply locals (appendix table 38).

Following are methods of evidencing revolving fund capital used by 157 California cooperatives with the percentage of associations using each:

<u>Evidence used</u>	<u>Percent</u>
Allocated book credits	76.3
Certificates of interest	12.2
Allocated book credits and certificates of interest	5.8
Certificates of indebtedness	3.8
Allocated book credits and certificates of indebtedness	1.3
Certificates of stock	.6
	100.0

In contrast, certificates of equity and allocated capital credits handled on a revolving basis were acquired by a variety of methods by 465 marketing cooperatives throughout the United States reporting to Farmer Cooperative Service in 1954. These methods and the percentage of associations using each follow:

<u>Method used</u>	<u>Percent</u>
Patronage refunds on which payment is deferred	77.4
Authorized deductions from sales proceeds	10.8
Both authorized deductions and deferred patronage refunds	5.2
Both purchase and authorized deductions	3.2
Purchase	1.7
Combinations of above methods	1.7
	100.0

These percentages indicate that a majority of California marketing cooperatives acquired their revolving fund equity capital in 1952 by making deductions from proceeds of sales. However, less than 11 percent of the marketing cooperatives included in the 1954 nationwide study made by Farmer Cooperative Service acquired nonstock revolving

equity capital by making deductions from sales proceeds.

Over three-fourths of the marketing cooperatives reporting to FCS secured nonstock revolving fund capital by deferring payment of patronage refunds. Less than 13 percent of the California cooperatives acquired revolving capital in this manner.

Appendix of Statistical Tabulations

Appendix table 1. -- Equity capital of 1,157 marketing and farm supply cooperatives in sample, by type and amount, fiscal year 1954

Type of association	Number of associations in sample	Total equity capital of associations in sample	Amount and percent of total equity capital									
			Common stock		Preferred stock		Certificates of equity and allocated book credits		Unallocated reserves		Membership certificates	
			Amount	Percent of total equity capital	Amount	Percent of total equity capital	Amount	Percent of total equity capital	Amount	Percent of total equity capital	Amount	Percent of total equity capital
			(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)
Marketing:												
Locals	606	\$108,209	\$16,153	14.9	\$12,077	11.2	\$63,502	58.7	\$14,441	13.3	\$576	0.5
Regionals	195	371,065	53,277	14.4	72,530	19.6	203,032	54.7	36,176	9.7	690	0.2
Farm supply:												
Locals	292	46,159	13,327	28.9	9,922	21.5	14,825	32.1	6,847	14.8	473	1.0
Regionals	64	321,823	79,923	24.9	91,077	28.3	119,944	37.3	28,136	8.7	87	1/
All locals	898	154,368	29,480	19.1	21,999	14.3	78,327	50.7	21,288	13.8	1,049	0.7
All regionals	259	692,888	133,200	19.2	163,607	23.6	322,976	46.6	64,312	9.3	777	0.1

1/ Less than .05 percent

Appendix table 2. -- Equity capital handled on a revolving fund basis by marketing and farm supply cooperatives in sample, by type and amount, fiscal year 1954

Type of association	Number of associations in sample with revolving equity capital	Total revolving equity capital of associations in sample	Amount and percentage of revolving equity capital by type of equity					
			Common stock		Preferred stock		Certificates of equity and book credits	
			Amount	Percent of total revolving equity	Amount	Percent of total revolving equity	Amount	Percent of total revolving equity
Marketing:								
Locals	350	\$59,635,825	\$4,112,399	6.9	\$5,420,798	9.1	\$50,102,628	84.0
Regionals	138	266,092,966	29,278,568	11.0	48,550,835	18.2	188,263,563	70.8
Farm supply:								
Locals	181	22,864,798	8,764,309	38.3	2,517,698	11.0	11,582,791	50.7
Regionals	41	140,358,672	43,348,771	30.9	30,479,470	21.7	66,530,431	47.4
All locals	531	82,500,623	12,876,708	15.6	7,938,496	9.6	61,685,419	74.8
All regionals	179	406,451,638	72,627,339	17.9	79,030,305	19.4	254,793,994	62.7

Appendix table 3. -- Number of cooperatives in sample handling equity capital on a revolving fund basis, fiscal year 1954

	Local associations			Regional associations		
	Marketing	Farm supply	Marketing and farm supply	Marketing	Farm supply	Marketing and farm supply
I. Number reporting	606	292	898	195	64	259
Number with any revolving equity capital	350	181	531	138	41	179
Ratio (percent)	57.8	62.0	59.1	70.8	64.1	69.1
II. Number with stock and/or allocated equity	603	287	890	187	64	251
Number with any revolving stock and/or allocated equity	350	181	531	138	41	179
Ratio (percent)	58.0	63.1	59.7	73.8	64.1	71.3
III. Number with common stock	458	221	679	101	47	148
Number with any revolving common stock	75	84	159	13	13	26
Ratio (percent)	16.4	38.0	23.4	12.9	27.7	17.6
IV. Number with preferred stock	192	141	333	70	34	104
Number with any revolving preferred stock	43	49	92	27	4	31
Ratio (percent)	22.4	34.8	27.6	38.6	11.8	29.8
V. Number with certificates of equity and/or allocated book credits	490	223	713	167	56	223
Number with any revolving certificates of equity and/or allocated book credits	332	138	470	133	31	164
Ratio (percent)	67.8	61.9	65.9	79.6	55.4	73.5

Appendix table 4. -- Equity capital handled on a revolving fund basis compared with total equity capital of marketing and farm supply cooperatives in sample, by type and percentage, fiscal year 1954

Type of association	Percent of associations with any revolving equity capital	Percentage of equity capital handled on a revolving fund basis by type of equity capital			Percentage of all equity capital handled on a revolving fund basis
		Common stock	Preferred stock	Certificates of equity and book credits	
		Percent			Percent
Marketing:					
Locals	57.8	25.5	44.9	78.9	55.1
Regionals	70.8	55.0	66.9	92.7	71.7
Farm supply:					
Locals	62.0	65.8	25.4	78.1	49.5
Regionals	64.1	54.2	33.5	55.5	43.6
All locals	59.1	43.7	36.1	78.8	53.4
All regionals	69.1	54.5	48.3	78.9	58.7

Appendix table 5. -- Equity capital handled on a revolving fund basis compared with total equity capital of marketing cooperatives in sample, by type and percentage, fiscal year 1954

Type of association	Percent of associations with any revolving equity capital	Percentage of equity capital handled on a revolving fund basis by type of equity capital			Percentage of all equity capital handled on a revolving fund basis
		Common stock	Preferred stock	Certificates of equity and book credits	
		Percent			Percent
Cotton					
Locals	70.2	10.4	78.0	78.8	65.2
Regionals	73.7	52.5	80.5	87.3	76.9
Dairy					
Locals	59.3	23.7	44.7	78.1	60.2
Regionals	76.7	13.4	86.9	96.8	85.3
Fruits and vegetables					
Locals	86.0	.3	78.7	95.8	78.6
Regionals	80.0	11.6	24.5	98.9	78.0
Grain					
Locals	50.1	26.7	34.1	67.1	40.6
Regionals	87.5	73.7	70.0	72.3	66.1
Livestock					
Locals	35.0	70.8	-	94.8	39.4
Regionals	32.1	13.0	-	73.4	31.1
Miscellaneous marketing					
Locals	60.0	-	-	100.0	68.7
Regionals	50.0	-	-	13.1	5.0
Nuts					
Locals	100.0	-	-	77.4	76.9
Regionals	60.0	-	-	86.1	52.4
Poultry					
Locals	75.0	83.8	76.2	73.6	67.4
Regionals	100.0	39.4	63.9	99.8	89.6
Dry beans and peas - regionals	100.0	-	-	99.1	99.1
Rice					
Locals	75.0	22.8	-	99.6	47.8
Regionals	50.0	67.1	10.5	66.7	35.4
Soybean processing - regionals	100.0	-	-	100.0	64.2
Sugar - regionals	50.0	-	74.3	61.2	58.5
Service					
Locals	27.8	18.1	8.7	77.3	22.2
Regionals	100.0	-	-	100.0	84.1
Tobacco - regionals	45.5	.2	10.6	94.1	15.6
Wool - regionals	87.5	-	-	98.8	94.1
All marketing					
Locals	57.8	25.5	44.9	78.9	55.1
Regionals	70.8	55.0	66.9	92.7	71.7

Appendix table 6. -- Sources of equity capital of local and regional marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations in sample	Total equity capital of associations	Percentage of total equity capital, by source of capital					
			Purchase	Authorized deductions	Refunds retained	Purchase and refunds retained	Authorized deductions and refunds retained	Purchase, authorized deductions, and refunds retained
		Thousands	Percent					
Marketing								
Locals	606	\$108,209	7.9	14.7	66.1	7.7	1.6	2.0
Regionals	195	371,065	9.3	19.0	56.7	9.7	2.6	2.7
Farm supply								
Locals	292	46,159	16.9	.8	66.2	15.5	.1	.5
Regionals	64	321,823	24.4	.5	62.9	7.6	4.2	.4
All locals	898	154,368	10.6	10.6	66.1	10.0	1.1	1.6
All regionals	259	692,888	16.3	10.4	59.6	8.7	3.3	1.7

Appendix table 7. -- Sources of revolving equity capital of cooperatives in sample, fiscal year 1954

Type of association	Number of associations with revolving equity capital	Total revolving equity capital	Percentage of total revolving equity capital, by source of capital					
			Purchase	Authorized deductions	Refunds retained	Purchase and refunds retained	Authorized deductions and refunds retained	Purchase, authorized deductions, and refunds retained
Percent								
Marketing								
Locals	350	\$59,635,825	2.3	23.4	68.4	2.3	1.2	2.4
Regionals	138	266,092,966	3.7	26.3	55.2	10.0	3.2	1.6
Farm supply								
Locals	181	22,864,798	4.9	.8	80.2	13.7	.2	.2
Regionals	41	140,358,672	12.4	.8	76.9	1.7	7.9	.3
All locals	531	82,500,623	3.0	17.2	71.7	5.4	.9	1.8
All regionals	179	406,451,638	6.7	17.4	62.7	7.2	4.9	1.1

Appendix table 8. -- Sources of common stock of marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations with common stock	Total common stock	Common stock as percentage of total equity capital	Percentage of total common stock, by source				
				Purchase	Authorized deductions	Refunds retained	Purchase and refunds retained	Purchase, authorized deductions, and refunds retained
Thousands			Percent					
Marketing								
Locals	458	\$16,152	14.9	23.1	1.8	35.4	35.8	3.9
Regionals	101	53,277	14.4	16.9	6.5	52.2	17.8	6.6
Farm supply								
Locals	221	13,328	28.9	6.3	.6	57.0	35.1	1.0
Regionals	47	79,923	24.8	36.2	.3	50.1	12.9	.5
All locals	679	29,480	19.1	15.5	1.3	45.1	35.5	2.6
All regionals	148	133,200	19.2	28.5	2.8	50.9	14.8	3.0

Appendix table 9. -- Sources of revolving common stock of cooperatives in sample, fiscal year 1954

Type of association	Number of associations with revolving common stock	Total revolving common stock	Percentage of total revolving common stock, by source				
			Purchase	Authorized deductions	Refunds retained	Purchase and refunds retained	Purchase, authorized deductions, and refunds retained
Percent							
Marketing							
Locals	75	\$4,112,399	7.2	4.4	70.0	14.8	3.6
Regionals	13	29,278,568	.9	11.4	84.2	3.5	-
Farm supply							
Locals	84	8,764,309	.1	.9	73.0	25.5	.5
Regionals	13	43,348,771	27.4	-	69.4	2.2	1.0
All locals	159	12,876,708	2.3	2.0	72.1	22.1	1.5
All regionals	26	72,627,339	16.7	4.6	75.4	2.7	.6

Appendix table 10. -- Sources of preferred stock of marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations with preferred stock	Total preferred stock	Preferred stock as percent of total equity capital	Percentage of total preferred stock, by source				
				Purchase	Authorized deductions	Refunds retained	Purchase and refunds retained	Purchase, authorized deductions, and refunds retained
		Thousands	Percent			Percent		
Marketing								
Locals	192	\$12,077	11.2	27.0	5.0	42.4	19.9	5.7
Regionals	70	72,530	19.6	26.0	1.3	33.0	34.5	5.2
Farm supply								
Locals	141	9,922	21.5	66.9	-	8.2	23.6	1.3
Regionals	34	91,077	28.3	48.1	1.7	31.0	15.5	3.7
All locals	333	21,999	14.3	45.0	2.7	27.0	21.6	3.7
All regionals	104	163,607	23.6	38.3	1.5	31.9	23.9	4.4

Appendix table 11. -- Sources of revolving preferred stock of cooperatives in sample, fiscal year 1954

Type of association	Number of associations with revolving preferred stock	Total revolving preferred stock	Percentage of total revolving preferred stock, by source				
			Purchase	Authorized deductions	Refunds retained	Purchase and refunds retained	Purchase, authorized deductions, and refunds retained
Percent							
Marketing							
Locals	43	\$5,420,798	9.2	2.6	67.9	12.0	8.3
Regionals	27	48,550,835	8.4	1.6	36.6	50.2	3.2
Farm supply							
Locals	49	2,517,698	42.7	-	24.7	31.5	1.1
Regionals	4	30,479,470	-	3.5	91.8	4.7	-
All locals	92	7,938,496	19.8	1.8	54.2	18.2	6.0
All regionals	31	79,030,305	5.1	2.4	57.9	32.6	2.0

Appendix table 12. -- Sources of certificates of equity and allocated book credits of marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations with certificates of equity and allocated book credits	Total certificates of equity and allocated book credits	Allocated capital credits as percent of total equity capital	Percentage of total certificates of equity and allocated book credits, by source					
				Purchase	Authorized deductions	Refunds retained	Purchase and refunds retained	Authorized deductions and refunds retained	Purchase, authorized deductions, and refunds retained
		Thousands	Percent						
Marketing									
Locals	490	\$63,503	58.7	1.8	23.7	70.3	.2	2.7	1.3
Regionals	167	203,031	54.7	3.2	32.6	57.5	.8	4.4	1.5
Farm supply									
Locals	223	14,826	32.1	.5	.7	98.0	.7	-	.1
Regionals	56	119,944	37.3	4.6	-	86.1	-	9.3	-
All locals	713	78,329	50.7	1.6	19.4	75.5	.2	2.2	1.1
All regionals	223	322,975	46.6	3.7	20.5	68.1	.5	6.3	.9

Appendix table 13. -- Sources of revolving certificates of equity and allocated book credits of cooperatives in sample, fiscal year 1954

Type of association	Number of associations in sample with revolving certificates of equity and book credits	Total revolving certificates of equity and allocated book credits	Percentage of total revolving certificates of equity and allocated book credits, by source					
			Purchase	Authorized deductions	Refunds retained	Purchase and refunds retained	Authorized deductions and refunds retained	Purchase, authorized deductions, and refunds retained
Marketing								
Locals	332	\$50,102,628	1.2	27.2	68.3	.2	1.4	1.7
Regionals	133	188,263,563	2.9	34.9	55.5	.7	4.5	1.5
Farm supply								
Locals	138	11,582,791	.4	.8	97.8	.9	-	.1
Regionals	31	66,530,431	8.3	-	74.9	-	16.8	-
All locals	470	61,685,419	1.0	22.3	73.8	.3	1.2	1.4
All regionals	164	254,793,994	4.3	25.8	60.6	.5	7.7	1.1

Appendix table 14. -- Number and percent of cooperatives in sample paying dividends or interest on equity capital, fiscal year 1954

Type of association	Number of associations in sample	Associations paying no dividends or interest on any equity capital		Associations paying interest or dividends on all equity capital except memberships and unallocated reserves		Associations paying dividends or interest on some stock or allocated equity and no returns on other stock or allocated equity	
		Number	Percent	Number	Percent	Number	Percent
Marketing	801	338	42.2	91	11.4	372	46.4
Locals	606	238	39.3	75	12.4	293	48.3
Regionals	195	100	51.3	16	8.2	79	40.5
Farm supply	356	107	30.1	36	10.1	213	59.8
Locals	292	89	30.5	29	9.9	174	59.6
Regionals	64	18	28.2	7	10.9	39	60.9
All associations	1,157	445	38.5	127	11.0	585	50.5
Locals	898	327	36.4	104	11.6	467	52.0
Regionals	259	118	45.5	23	8.9	118	45.6

Appendix table 15. -- Number and percent of cooperatives in sample paying dividends or interest on revolving equity capital, fiscal year 1954

Type of association	Number of associations in sample	Associations with any revolving equity capital		Associations grouped according to payment of dividends or interest on revolving equity capital					
				No dividends or interest on any revolving equity capital		Dividends or interest on all revolving equity capital		Dividends or interest on only a portion of revolving equity capital	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Marketing	801	488	60.9	358	73.4	41	8.4	89	18.2
Locals	606	350	57.8	261	74.6	32	9.1	57	16.3
Regionals	195	138	70.8	97	70.3	9	6.5	32	23.2
Farm supply	356	222	62.4	140	63.1	29	13.0	53	23.9
Locals	292	181	62.0	113	62.4	21	11.6	47	26.0
Regionals	64	41	64.1	27	65.9	8	19.5	6	14.6
All associations	1,157	710	61.4	498	70.1	70	9.9	142	20.0
Locals	898	531	59.1	374	70.4	53	10.0	104	19.6
Regionals	259	179	69.1	124	69.3	17	9.5	38	21.2

Appendix table 16. -- Number and percent of cooperatives in sample paying dividends on common stock, fiscal year 1954

Type of association	Number of associations in sample	Associations with any common stock		Associations grouped according to payment of dividends on common stock					
				No dividends on any common stock		Dividends on all common stock		Dividends on only a portion of common stock	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Marketing	801	559	69.8	285	51.0	248	44.4	26	4.6
Locals	606	458	75.6	218	47.6	214	46.7	26	5.7
Regionals	195	101	51.8	67	66.3	34	33.7	-	-
Farm supply	356	268	75.3	146	54.5	122	45.5	-	-
Locals	292	221	75.7	120	54.3	101	45.7	-	-
Regionals	64	47	73.4	26	55.3	21	44.7	-	-
All associations	1,157	827	71.5	431	52.2	370	44.7	26	3.1
Locals	898	679	75.6	338	49.8	315	46.4	26	3.8
Regionals	259	148	57.1	93	62.8	55	37.2	-	-

Appendix table 17. -- Number and percent of cooperatives in sample paying dividends on revolving common stock, fiscal year 1954

Type of association	Number of associations in sample	Associations with any common stock	Associations with common stock handling any common stock on a revolving basis	Associations grouped according to payment of dividends on revolving common stock							
				No dividends on any revolving common stock		Dividends on all revolving common stock		Dividends on only a portion of revolving common stock			
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Marketing	801	559	69.8	88	15.7	44	50.0	40	45.5	4	4.5
Locals	606	458	75.6	75	16.4	38	50.7	33	44.0	4	5.3
Regionals	195	101	51.8	13	12.9	6	46.2	7	53.8	-	-
Farm supply	356	268	75.3	97	36.2	57	58.8	37	38.1	3	3.1
Locals	292	221	75.7	84	38.0	50	59.5	31	36.9	3	3.6
Regionals	64	47	73.4	13	27.7	7	53.8	6	46.2	-	-
All associations	1,157	827	71.5	185	22.4	101	54.6	77	41.6	7	3.8
Locals	898	679	75.6	159	23.4	88	55.3	64	40.3	7	4.4
Regionals	259	148	57.1	26	17.6	13	50.0	13	50.0	-	-

Appendix table 18. -- Number and percent of cooperatives in sample paying dividends on preferred stock, fiscal year 1954

Type of association	Number of associations in sample	Associations with any preferred stock		Associations grouped according to payment of dividends on preferred stock					
				No dividends on any preferred stock		Dividends on all preferred stock		Dividends on only a portion of preferred stock	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Marketing	801	262	32.7	61	23.3	190	72.5	11	4.2
Locals	606	192	31.7	47	24.5	136	70.8	9	4.7
Regionals	195	70	35.9	14	20.0	54	77.1	2	2.9
Farm supply	356	175	49.2	27	15.4	141	80.6	7	4.0
Locals	292	141	48.3	25	17.7	112	79.5	4	2.8
Regionals	64	34	53.1	2	5.9	29	85.3	3	8.8
All associations	1,157	437	37.8	88	20.1	331	75.8	18	4.1
Locals	898	333	37.1	72	21.6	248	74.5	13	3.9
Regionals	259	104	40.2	16	15.4	83	79.8	5	4.8

Appendix table 19. -- Number and percent of cooperatives in sample paying dividends on revolving preferred stock, fiscal year 1954

Type of association	Number of associations in sample	Associations with any preferred stock		Associations with preferred stock handling any preferred stock on a revolving basis		Associations grouped according to payment of dividends on revolving preferred stock					
						No dividends on any revolving preferred stock		Dividends on all revolving preferred stock		Dividends on only a portion of revolving preferred stock	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Marketing	801	262	32.7	70	26.7	23	32.9	45	64.2	2	2.9
Locals	606	192	31.7	43	22.4	15	34.9	27	62.8	1	2.3
Regionals	195	70	35.9	27	38.6	8	29.6	18	66.7	1	3.7
Farm supply	356	175	49.2	53	30.3	21	39.6	25	47.2	7	13.2
Locals	292	141	48.3	49	34.8	19	38.8	24	49.0	6	12.2
Regionals	64	34	53.1	4	11.8	2	50.0	1	25.0	1	25.0
All associations	1,157	437	37.8	123	28.1	44	35.8	70	56.9	9	7.3
Locals	898	333	37.1	92	27.6	34	37.0	51	55.4	7	7.6
Regionals	259	104	40.2	31	29.8	10	32.3	19	61.2	2	6.5

Appendix table 20. -- Number and percent of cooperatives in sample paying interest on certificates of equity or allocated book credits, fiscal year 1954

Type of association	Number of associations in sample	Associations with any allocated capital credits		Associations grouped according to payment of interest on certificates of equity or allocated book credits					
		Number	Percent	No interest on any allocated capital credits		Interest on all allocated capital credits		Interest on only a portion of allocated capital credits	
				Number	Percent	Number	Percent	Number	Percent
Marketing	801	657	82.0	566	86.1	26	4.0	65	9.9
Locals	606	490	80.9	432	88.1	20	4.1	38	7.8
Regionals	195	167	85.6	134	80.2	6	3.6	27	16.2
Farm supply	356	279	78.4	246	88.1	13	4.7	20	7.2
Locals	292	223	76.4	203	91.1	9	4.0	11	4.9
Regionals	64	56	87.5	43	76.8	4	7.1	9	16.1
All associations	1,157	936	80.9	812	86.7	39	4.2	85	9.1
Locals	898	713	79.4	635	89.0	29	4.1	49	6.9
Regionals	259	223	86.1	177	79.4	10	4.5	36	16.1

Appendix table 21. -- Number and percent of cooperatives in sample paying interest on revolving certificates of equity or allocated book credits, fiscal year 1954

Type of association	Number of associations in sample	Associations with any certificates of equity or allocated book credits		Associations with allocated capital credits handling any allocated capital on a revolving basis		Associations grouped according to payment of interest on revolving certificates of equity or allocated book credits				Interest on only a portion of revolving capital credits	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Marketing	801	657	82.0	465	70.8	399	85.8	32	6.9	34	7.3
Locals	606	490	80.9	332	67.8	293	88.3	23	6.9	16	4.8
Regionals	195	167	85.6	133	79.6	106	79.7	9	6.8	18	13.5
Farm supply	356	279	78.4	169	60.6	148	87.5	15	8.9	6	3.6
Locals	292	223	76.4	138	61.9	126	91.3	8	5.8	4	2.9
Regionals	64	56	87.5	31	55.4	22	71.0	7	22.5	2	6.5
All associations	1,157	936	80.9	634	67.7	547	86.3	47	7.4	40	6.3
Locals	398	713	79.4	470	65.9	419	89.1	31	6.6	20	4.3
Regionals	259	223	86.1	164	73.5	128	78.0	16	9.8	20	12.2

Appendix table 22. -- Number and percent of cooperatives in sample reporting any interest or dividends paid on any of their revolving equity capital, by rates of return, fiscal year 1954

Type of association	Number of associations with any revolving equity capital	Associations re- porting interest or dividends on any revolving equity capital		Associations reporting interest or dividends on any revolving equity capital, by rates of return															
		Number	Percent	1.0 - 2.9 percent	Number	Percent	3.0 - 3.9 percent	Number	Percent	4.0 - 4.9 percent	Number	Percent	5.0 - 5.9 percent	Number	Percent	6.0 - 6.9 percent	Number	Percent	7 percent and over
Marketing Locals Regionals	350	89	25.4	13	3.7	15	4.3			37	10.6	18	5.1			13	3.7		1.4
	138	41	29.7	4	2.9	7	5.1			24	17.4	8	5.8			3	2.2		.7
Farm supply Locals Regionals	181	68	37.6	4	2.2	11	6.1			31	17.1	13	7.2			12	6.6	1	.6
	41	14	34.1	3	7.3	2	4.9			6	19.5	2	4.9			3	7.3	-	-
All locals All regionals	531	157	29.6	17	3.2	26	4.9			68	12.8	31	5.8			25	4.7	6	1.1
	179	55	30.7	7	3.9	9	5.0			32	17.9	10	5.6			6	3.4	1	.6

Appendix table 23. -- Number and percent of cooperatives in sample reporting any dividends paid on any of their revolving common stock, by rates of dividend, fiscal year 1954

Type of association	Number of associations with any revolving common stock	Associations reporting dividends on any revolving common stock		Associations with any revolving common stock reporting dividends on any of the stock, by dividend rates																
		Number	Percent	1.0 - 2.9 percent	Number	Percent	3.0 - 3.9 percent	Number	Percent	4.0 - 4.9 percent	Number	Percent	5.0 - 5.9 percent	Number	Percent	6.0 - 6.9 percent	Number	Percent	7 percent and over	
Marketing																				
Locals	75	37	49.3	6	8.0		6	8.0		14	18.7		6	8.0		3	4.0		2	2.7
Regionals	13	7	53.8	-	-		2	15.4		4	30.8		-	-		1	7.7		-	-
Farm supply																				
Locals	84	34	40.5	2	2.4		5	6.0		19	22.6		4	4.8		4	4.8		-	-
Regionals	13	6	46.2	1	7.7		-	-		3	23.1		1	7.7		1	7.7		-	-
All locals	159	71	44.7	8	5.0		11	6.9		33	20.8		10	6.3		7	4.4		2	1.3
All regionals	26	13	50.0	1	3.8		2	7.7		7	26.9		1	3.8		2	7.7		-	-

Appendix table 24. -- Number and percent of cooperatives in sample reporting any dividends paid on any of their revolving preferred stock, by rates of dividend, fiscal year 1954

Type of association	Number of as- sociations with any revolving preferred stock	Associations re- porting dividends on any revolving preferred stock		Associations with any revolving preferred stock reporting dividends on any of the stock, by dividend rates															
				1.0 - 2.9 percent		3.0 - 3.9 percent		4.0 - 4.9 percent		5.0 - 5.9 percent		6.0 - 6.9 percent		7 percent and over					
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent				
Marketing Locals Regionals	43 27	28 19	65.1 70.4	3 1	7.0 3.7	3 2	7.0 7.4	11 12	25.6 44.4	4 2	9.3 7.4	8 2	18.6 7.4	3 1	7.0 3.7				
Farm supply Locals Regionals	49 4	30 2	61.2 50.0	1 1	2.0 25.0	5 -	10.2 -	12 1	24.5 25.0	4 -	8.2 -	10 -	20.4 -	1 -	2.0 -				
All locals All regionals	92 31	58 21	63.0 67.7	4 2	4.3 6.5	8 2	8.7 6.5	23 13	25.0 41.9	8 2	8.7 6.5	18 2	19.6 6.5	4 1	4.3 3.2				

Appendix table 25. -- Number and percent of cooperatives in sample reporting any interest paid on any of their revolving certificates of equity or book credits, by rates of interest, fiscal year 1954

Type of association	Number of as- sociations with any revolving certificates of equity or book credits	Associations re- porting interest on any revolving certificates of equity		Associations with any revolving certificates of equity or book credits reporting interest on any of the equity, by rates of interest															
		Number	Percent	1.0 - 2.9 percent		3.0 - 3.9 percent		4.0 - 4.9 percent		5.0 - 5.9 percent		6.0 - 6.9 percent		7 percent and over					
				Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent				
Marketing																			
Locals	332	39	11.7	5	1.5	8	2.4	16	4.8	9	2.7	2	.6	-	-				
Regionals	133	27	20.3	4	3.0	7	5.3	12	9.0	6	4.5	1	.8	-	-				
Farm supply																			
Locals	138	12	8.7	1	.7	1	.7	3	2.2	6	4.3	1	.7	-	-				
Regionals	31	9	29.0	1	3.2	2	6.5	5	16.1	1	3.2	2	6.5	-	-				
All locals	470	51	10.9	6	1.3	9	1.9	19	4.0	15	3.2	3	.6	-	-				
All regionals	164	36	22.0	5	3.0	9	5.5	17	10.4	7	4.3	3	1.8	-	-				

Appendix table 26. -- Interest and dividend rates on the equity capital of marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations in sample	Total equity capital	Percentage of total equity capital, by interest and dividend rates						
			No interest or dividends	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over
			Percent						
Thousands									
Marketing Locals	606	\$108,209	72.6	2.7	7.1	10.2	2.9	3.5	1.0
	195	371,065	67.7	1.2	5.0	17.5	6.2	.8	1.6
Farm supply Locals	292	46,159	65.2	1.5	2.7	11.4	12.7	5.6	.9
	64	321,823	59.0	2.4	2.7	20.9	5.1	9.5	.4
All locals All regionals	898	154,368	70.3	2.3	5.8	10.6	5.9	4.1	1.0
	259	692,888	63.6	1.8	3.9	19.1	5.7	4.8	1.1

Appendix table 27. -- Interest and dividend rates on the stock and allocated equity capital of marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations with any stock or allocated equity capital	Total equity capital represented by stock and allocated equity capital	Percentage of total stock and allocated equity capital, by interest and dividend rates							
			No interest or dividends	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over	
			Thousands		Percent					
Marketing										
Locals	603	\$91,732	67.6	3.2	8.9	11.5	3.4	4.2	1.2	
Regionals	187	328,839	63.6	1.3	5.6	19.9	6.9	.9	1.8	
Farm supply										
Locals	287	38,075	57.7	1.9	3.3	13.8	15.4	6.8	1.1	
Regionals	64	290,944	54.6	2.7	3.0	23.1	5.7	10.4	.5	
All locals	890	129,807	64.7	2.8	7.2	12.2	7.0	4.9	1.2	
All regionals	251	619,783	59.3	2.0	4.4	21.4	6.3	5.4	1.2	

Appendix table 28. -- Interest and dividend rates on the revolving equity capital of cooperatives in sample, fiscal year 1954

Type of association	Number of associations with revolving equity capital	Total revolving equity capital	Percentage of total revolving equity capital, by interest and dividend rates						
			No inter-est or dividends	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over
Percent									
Marketing									
Locals	350	\$59,635,825	76.3	3.0	5.8	10.4	1.9	1.8	.8
Regionals	138	266,092,966	70.0	.4	6.0	17.3	5.9	.3	.1
Farm supply									
Locals	181	22,864,798	76.3	1.1	2.4	8.6	5.6	5.6	.4
Regionals	41	140,358,672	69.5	2.3	.3	18.1	2.7	7.1	-
All locals	531	82,500,623	76.3	2.5	4.9	9.9	2.9	2.8	.7
All regionals	179	406,451,638	69.8	1.1	4.1	17.6	4.8	2.5	.1

Appendix table 29. -- Dividend rates on the common stock of marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations with any common stock	Total common stock	Percentage of total common stock, by dividend rates						
			No dividends	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over
			Percent						
Thousands									
Marketing									
Locals	458	\$16,153	24.0	5.6	22.7	26.7	8.3	10.1	2.6
Regionals	101	53,277	57.9	4.8	2.8	18.5	9.5	.6	5.9
Farm supply									
Locals	221	13,327	60.8	3.8	7.4	15.2	6.6	5.7	.5
Regionals	47	79,924	50.3	.1	-	5.6	14.0	30.0	1/
All locals	679	29,480	40.6	4.7	15.8	21.5	7.6	8.1	1.7
All regionals	148	133,201	53.3	2.0	1.1	10.8	12.2	18.2	2.4

1/ Less than .05 percent

Appendix table 30. -- Dividend rates on the common stock handled on a revolving basis by cooperatives in sample, fiscal year 1954

Type of association	Number of associations with revolving common stock	Total revolving common stock	Percentage of total revolving common stock, by dividend rates						
			No dividends	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over
			Percent						
Marketing									
Locals	75	\$4,112,399	21.2	5.9	31.6	32.8	4.8	.8	2.9
Regionals	13	29,278,568	81.2	-	3.0	15.2	-	.6	-
Farm supply									
Locals	84	8,764,309	74.2	2.0	4.2	14.1	4.0	1.5	-
Regionals	13	43,348,771	74.3	.2	-	2.9	2.9	19.7	-
All locals	159	12,876,708	57.2	3.2	13.0	20.1	4.3	1.3	.9
All regionals	26	72,627,339	77.1	.1	1.2	7.9	1.8	11.9	-

Appendix table 31. -- Dividend rates on preferred stock of marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations with any preferred stock	Total preferred stock	Percentage of total preferred stock, by dividend rates						
			No dividends	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over
			Percent						
Thousands									
Marketing Locals Regionals	192	\$12,076	16.8	7.5	17.6	27.9	7.5	17.0	5.7
	70	72,531	36.6	1.1	14.0	33.2	7.9	3.3	3.9
Farm supply Locals Regionals	141	9,923	5.5	1.2	1.8	31.6	38.9	17.4	3.6
	34	91,076	30.6	6.8	9.0	44.0	2.6	5.5	1.5
All locals All regionals	333	21,999	11.7	4.7	10.5	29.6	21.6	17.2	4.7
	104	163,607	33.3	4.2	11.2	39.2	5.0	4.5	2.6

Appendix table 32. -- Dividend rates on preferred stock handled on a revolving basis by cooperatives in sample, fiscal year 1954

Type of association	Number of associations with revolving preferred stock	Total revolving preferred stock	Percentage of total revolving preferred stock, by dividend rates						
			No dividends	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over
			Percent						
Marketing									
Locals	43	\$5,420,798	22.3	8.8	.4	40.3	4.3	17.3	6.6
Regionals	27	48,550,835	50.1	.3	19.4	22.2	7.1	.1	.8
Farm supply									
Locals	49	2,517,698	18.3	1.4	4.8	25.8	4.1	42.0	3.6
Regionals	4	30,479,470	89.8	5.5	-	4.7	-	-	-
All locals	92	7,938,496	21.0	6.5	1.8	35.7	4.2	25.1	5.7
All regionals	31	79,030,305	65.4	2.3	11.9	15.4	4.4	.1	.5

Appendix table 33. -- Interest rates on certificates of equity and book credits of all marketing and farm supply cooperatives in sample, fiscal year 1954

Type of association	Number of associations with any certificates of equity and book credits	Total cer- tificates of equity and book credits	Percentage of total certificates of equity and book credits, by rates of interest						
			No interest	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over
			Percent						
Thousands									
Marketing									
Locals	490	\$63,503	88.4	1.7	3.7	4.6	1.4	.2	1/
Regionals	167	203,031	74.7	.5	3.3	15.5	5.9	.1	-
Farm supply									
Locals	223	14,825	90.0	.6	.7	.5	7.6	.6	-
Regionals	56	119,944	75.7	1.3	.4	18.9	2.5	1.2	-
All locals	713	78,328	88.7	1.5	3.1	3.8	2.6	.3	1/
All regionals	223	322,975	75.1	.8	2.3	16.7	4.6	.5	-

Less than .05 percent

Appendix table 34. -- Interest rates on certificates of equity and book credits handled on a revolving basis by cooperatives in sample, fiscal year 1954

Type of association	Number of associations with revolving certificates of equity and book credits	Total revolving certificates of equity and book credits	Percentage of total revolving certificates of equity and book credits, by rates of interest							
			No interest	1.0 - 2.9 percent	3.0 - 3.9 percent	4.0 - 4.9 percent	5.0 - 5.9 percent	6.0 - 6.9 percent	7 percent and over	
			Percent							
Marketing										
Locals	332	\$50,102,628	86.6	2.1	4.3	5.4	1.4	.2	-	
Regionals	133	188,263,563	73.3	.6	3.0	16.5	6.6	1/	-	
Farm supply										
Locals	138	11,582,791	90.6	.4	.4	.7	7.1	.8	-	
Regionals	31	66,530,431	57.0	2.3	.7	34.1	3.8	2.1	-	
All locals	470	61,685,419	87.3	1.8	3.6	4.5	2.5	.3	-	
All regionals	164	254,793,994	69.1	1.0	2.4	21.1	5.8	.6	-	

1/ Less than .05 percent

Appendix table 35. -- Revolving capital of marketing and farm supply cooperatives in sample supplied by patrons and amounts repaid to patrons, 1950-1954

Type of association	Number of associations in sample	Number of associations in sample with revolving capital	Balance at end of fiscal year 1949	Additions 1950-1954	Total of 1949 balance plus additions 1950-1954	Repayments 1950-1954	Balance remaining in 1954 after repayments
Thousands							
Marketing	801	493	\$205,155	\$234,645	\$439,800	\$111,683	\$328,117
Locals	606	351	35,025	44,126	79,151	19,659	59,492
Regionals	195	142	170,130	190,519	360,649	92,024	268,625
Farm supply	356	224	107,469	122,107	229,576	47,738	181,838
Locals	292	181	13,860	15,450	29,310	6,484	22,826
Regionals	64	43	93,609	106,657	200,266	41,254	159,012
All associations	1,157	717	312,624	356,752	669,376	159,421	509,955
Locals	898	532	48,885	59,576	108,461	26,143	82,318
Regionals	259	185	263,739	297,176	560,915	133,278	427,637

Appendix table 36. -- Revolving capital of marketing cooperatives supplied by patrons and amounts repaid to patrons, 1950-1954

Type of association	Number of associations in sample	Number of associations with revolving capital	Balance at end of fiscal year 1949	Additions 1950-1954	Total of 1949 balance plus additions 1950-1954	Repayments 1950-1954	Balance remaining in 1954 after repayments
Cotton - total	66	47	\$11,071,094	\$24,577,160	\$35,648,254	\$7,665,995	\$27,982,259
Locals	47	33	1,781,004	4,650,213	6,431,217	1,954,062	4,477,155
Regionals	19	14	9,290,090	19,926,947	29,217,037	5,711,933	23,505,104
Dairy - total	215	136	65,431,347	68,363,702	133,795,049	28,555,844	105,239,205
Locals	172	102	9,292,543	11,223,875	20,516,418	4,948,574	15,567,844
Regionals	43	34	56,138,804	57,139,827	113,278,631	23,607,270	89,671,361
Dry beans and peas - regionals	5	5	1,357,751	817,540	2,175,291	281,151	1,894,140
Fruits and vegetables - total	75	63	40,184,387	48,009,867	88,194,254	22,303,251	65,891,003
Locals	50	43	9,910,553	9,209,704	19,120,257	5,302,103	13,818,154
Regionals	25	20	30,273,834	38,800,163	69,073,997	17,001,148	52,072,849
Grain - total	293	159	54,483,295	49,242,528	103,725,823	21,611,519	82,114,304
Locals	269	137	10,458,334	14,374,948	24,833,282	5,461,668	19,371,614
Regionals	24	22	44,024,961	34,867,580	78,892,541	16,149,851	62,742,690
Livestock - total	48	17	2,068,064	1,701,100	3,769,164	794,345	2,974,819
Locals	20	7	297,073	308,545	605,618	139,842	465,776
Regionals	28	10	1,770,991	1,392,555	3,163,546	654,503	2,509,043
Miscellaneous - total	7	4	466,378	564,321	1,030,699	283,791	746,908
Locals	5	3	399,608	516,483	916,091	216,423	699,668
Regionals	2	1	66,770	47,838	114,608	67,368	47,240
Nuts - total	10	8	5,604,249	6,423,780	12,028,029	4,220,868	7,807,161
Locals	5	5	1,369,227	2,063,046	3,432,273	1,089,275	2,342,998
Regionals	5	3	4,235,022	4,360,734	8,595,756	3,131,593	5,464,163
Poultry - total	20	17	14,719,399	23,354,984	38,074,383	19,889,358	18,185,025
Locals	12	9	972,121	976,317	1,948,438	501,917	1,446,521
Regionals	8	8	13,747,278	22,378,667	36,125,945	19,387,441	16,738,504
Rice - total	12	8	2,232,243	3,655,103	5,887,346	1,162,654	4,724,692
Locals	8	6	416,775	715,875	1,132,650	30,970	1,101,680
Regionals	4	2	1,815,468	2,939,228	4,754,696	1,131,684	3,623,012
Service - total	19	7	132,304	100,195	232,499	14,487	218,012
Locals	18	6	127,329	87,535	214,864	14,487	200,377
Regionals	1	1	4,975	12,660	17,635	-	17,635
Soybean processing - regionals	6	6	2,276,132	2,248,413	4,524,545	1,996,891	2,527,654
Sugar and sugar products - regionals	6	4	2,552,303	4,125,582	6,677,885	2,662,701	4,015,184
Tobacco - regionals	11	5	365,062	1,946,347	2,311,409	148,694	2,162,715
Wool - regionals	8	7	2,210,701	-(484,858)	1,725,843	91,513	1,634,330
All marketing - total	801	493	205,154,709	234,645,764	439,800,473	111,683,062	328,117,411
Locals	606	351	35,024,567	44,126,541	79,151,108	19,659,321	59,491,787
Regionals	195	142	170,130,142	190,519,223	360,649,365	92,023,741	268,625,624

Appendix table 37. -- Estimated revolving fund capital of 9,793 marketing and farm supply cooperatives supplied by patrons and amounts repaid to patrons, 1950-1954 1/

Type of association	Number of associations <u>2/</u>	Balance at end of fiscal year 1949	Additions 1950-1954	Total of 1949 balance plus additions 1950-1954	Repayments 1950-1954	Balance remaining in 1954 after repayments
Thousands						
Marketing	6,420	\$503,222	\$592,125	\$1,095,347	\$274,746	\$820,601
Locals	6,103	304,848	367,873	672,721	166,427	506,294
Regionals	317	198,374	224,252	422,626	108,319	314,307
Farm supply	3,373	223,145	245,702	468,847	98,455	370,392
Locals	3,257	117,629	125,502	243,131	51,965	191,166
Regionals	116	105,516	120,200	225,716	46,490	179,226
All associations	9,793	726,367	837,827	1,564,194	373,201	1,190,993
Locals	9,360	422,477	493,375	915,852	218,392	697,460
Regionals	433	303,890	344,452	648,342	154,809	493,533

1/ Duplication for intercooperative investment has not been eliminated.

2/ All bargaining associations excluded.

Appendix table 38. -- Cooperatives with a fixed period of revolution, fiscal year 1954

Type of association	Number of associations in sample	Number of associations with revolving fund capital	Associations with revolving capital providing for a fixed period of revolution	
			Number	Percent
Marketing				
Locals	801	493	39	7.9
Regionals	606	351	25	7.1
	195	142	14	9.9
Farm supply				
Locals	356	224	26	11.6
Regionals	292	181	12	6.6
	64	43	14	32.5
All associations	1,157	717	65	9.1
Locals	898	532	37	7.0
Regionals	259	185	28	15.1

